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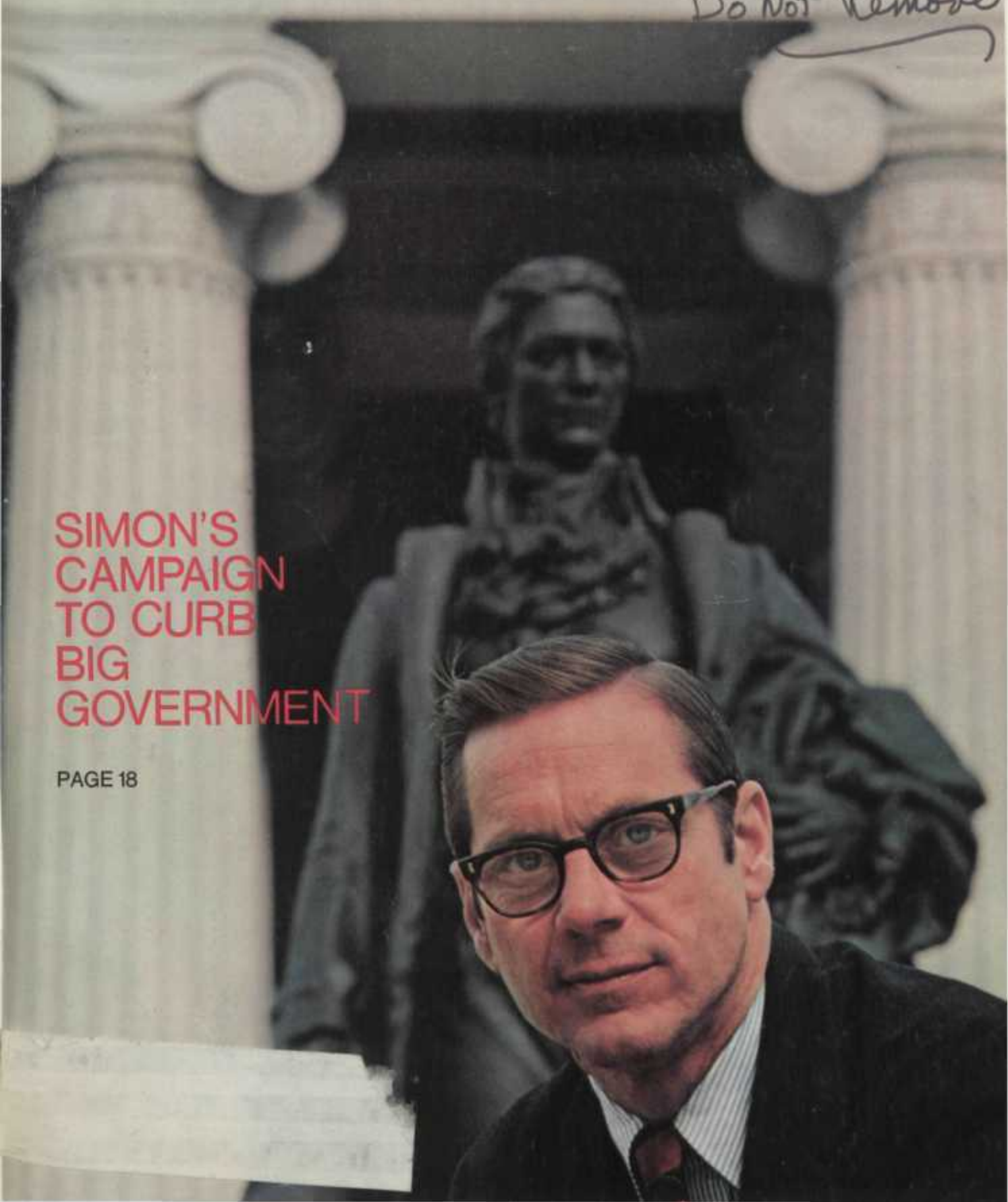
FEBRUARY 1975

Nation's Business

Do NOT Remove

SIMON'S
CAMPAIGN
TO CURB
BIG
GOVERNMENT

PAGE 18



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Nation's Business

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✓ - Purchased manuscript

Cover photograph by Yoichi Okamoto

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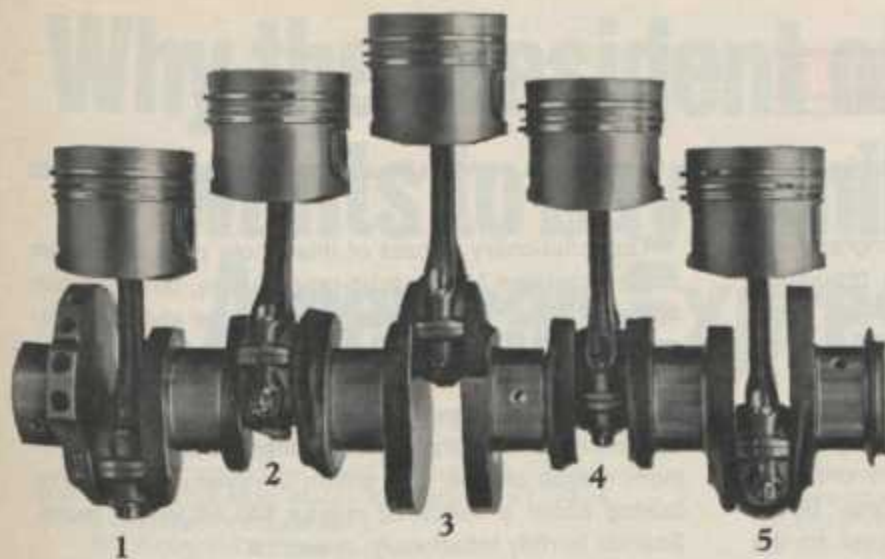
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the engineering world.
Announcing
the new Mercedes-Benz 300D.
The world's only 5-cylinder
automobile.





Internal workings of the new 300D, the world's only 5-cylinder automobile.

Raising the eyebrows of the engineering world is not new to Mercedes-Benz. We did it when we invented the automobile in 1886. We did it when we introduced the world's first production Diesel passenger car in 1936. Now, with the introduction of a 5-cylinder automobile—the new 300D—we've done it again.

The 5-cylinder 300D clearly flies in the face of engineering convention. It establishes a whole new category of Diesel—a whole new category of automobile.

Why a 5-cylinder?

Mercedes-Benz wanted to make a performance Diesel. A new car that had much greater horsepower and torque, but did not sacrifice the



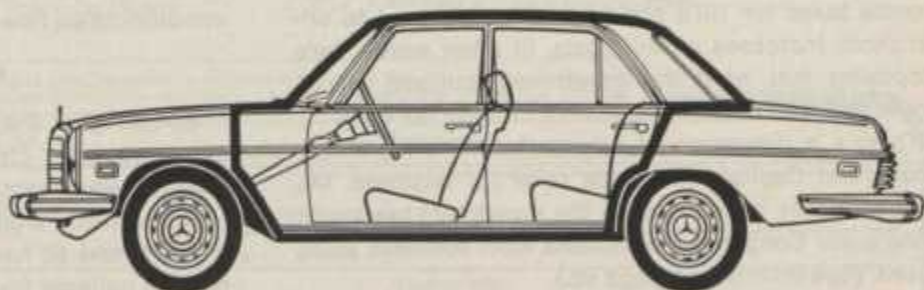
Countrywide, Diesel fuel averages about 3¢ less than gasoline. So the new 300D goes more miles on cheaper gallons.

economy and reliability of previous Mercedes-Benz Diesels.

Nearly four decades of Diesel experience told the Mercedes-Benz engineers that a major power in-

crease would have to come from an entirely different engine. Not one with bigger cylinders—one with more cylinders.

If engineering convention were to be served, the next step up from our standard 4-cylinder Diesel should have been a 6-cylinder engine. But because of the strength necessities particular to all Diesels,



Safety first. A rigid, steel safety cell encloses the entire passenger compartment.

it follows that a 6-cylinder Diesel would have to be substantially larger and heavier than a 4-cylinder.

The Mercedes-Benz solution was characteristically unconventional: A 5-cylinder Diesel engine.

The most advanced Diesel

Even for the Mercedes-Benz engineers, the 5-cylinder Diesel engine was quite a challenge. But their efforts were worthwhile. They made it work.

The new engine's size was set at 3 liters. Torque was raised nearly 20%. Horsepower was up a full 25% over any previous Mercedes-Benz Diesel. The result is the new 300D, the

most advanced Diesel passenger car the world has ever seen.

**24 mpg in town,
31 on the highway**

Increased performance does not mean decreased economy. According to the most recent Federal E.P.A. test report, the new 300D can get up to 24 miles in city driving, and up to 31 miles per gallon on the open highway. And since Diesel fuel is usually cheaper than gasoline, the 300D goes more miles on cheaper gallons.

Performance, economy, luxury

While the new 300D acts like an economy car, it doesn't look or feel like one. In every major appointment, it is equal to the Mercedes-Benz 280. It blends performance and economy in a luxury package.

A final thought. No manufacturer anywhere in the world has a greater safety involvement than Mercedes-Benz. Evidence of the dec-

ades of Mercedes-Benz safety engineering is everywhere in the 300 Diesel. Before the 300D, nobody had heard of a 5-cylinder Diesel car, much less seen one. So, it's only natural that the 300D should cause some very educated, engineering heads to be scratched. But now you can examine one, sit in one, drive one. It's waiting for you. Arrange a test drive with your local Mercedes-Benz dealer.



Mercedes-Benz
Engineered like no other car
in the world.

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MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20062

Now that both the Administration and Congressional leaders have unveiled their anti-recession proposals, you may be wondering what really should be done, from the business point of view.

Both the President and the Democrats agree that individual tax cuts are needed. I doubt that anyone in business would disagree. Certainly, putting more money into the hands of the people would probably allow them to buy more and bolster business. But it should be an equitable tax cut, not confined to the bottom of the ladder.

Both the President and the Democrats also agree that something must be done to cut our energy consumption—mainly petroleum—because that's one of the biggest drains on our economy.

We think the proposed levies on foreign and domestic oil, which would add to the price, would be constructive, although hard on some industries. And we favor letting the price of domestic oil that has remained under controls go up, too. You really can't make price controls on one commodity work. Nor should controls be extended to other industries.

You'll also note that President Ford's proposal to cut income taxes for 1975 and beyond is designed to offset those increases in fuel costs. In other words, he's proposing that what the government collects on oil would be given back to consumers through tax cuts.

There's a difference of opinion between the White House and Capitol Hill on tax relief for business. Mr. Ford proposes an increase in the investment tax credit while some Congressional leaders want business taxes raised. (See editorial on page 92.)

You don't have to be big business to have a stake in the investment tax credit. This is basically an incentive for business—large or small—to use more of its money to improve facilities. That kind of improvement almost always should result in better productivity, and that's what this country needs to help us against both recession and inflation. That's especially true of the utilities, which have had a lower tax credit than most other businesses.

The inflationary impact of this whole package raises some questions for the long-range future, but everyone agrees that something must be done now about our recession.

The President's program would cut federal government revenues by more than \$15 billion. A good many experts figure that the lag in business will cost government maybe another \$25 billion in revenues. So we're talking about a deficit of maybe \$40 billion or more. Sounds terribly inflationary, doesn't it?

One of the best explanations of why it won't blow the lid off inflation comes from Treasury Secretary Simon. (See article on page 18.)

Mr. Simon is a strong advocate of lower federal spending. Big spending is usually the cause of big deficits.

He makes the distinction, which is not widely understood, that a deficit resulting from anti-recession tax cuts is a different thing from a deficit caused by big spending.

If government chooses to fight the recession with all-out federal spending, the result would be far more inflationary. It's heartening that the President proposes a moratorium on new federal spending programs.

Speaking of the recession, it's interesting that the cities we have chosen so far for our "Bicentennial Salutes" are in remarkably good shape.

Dallas (last month), Wichita (page 47) and Rochester (next month) all have unemployment rates of less than half the national figure.

Maybe it has something to do with the vitality of the business community in those cities—and of their effective Chambers of Commerce.

The Wichita Chamber, incidentally, has a unique distinction—it was once managed, a good many years ago, by the No. 1 Chamber professional in the country: Arch Booth, who's now President of the Chamber of Commerce of the United States.

Wichita's loss was our gain.

Jack Woodridge

Why the president of Diners Club wants to buy a million used American Express cards.

If you have an American Express card and don't have a Diners Club card, you may be missing more than you realize.

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But we'll also send you something else: a refund for the period of your American Express card that remains in effect. (For example, if six months remain before its expiration date, we'll send you a check for \$10.)

You'll still keep your American Express card, of course. Only now you'll have a Diners Club card too.

And for quite a while, you'll have the use of both and be paying only for one.

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In all of Europe, Asia, Africa and Latin America, Diners

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Of course, you can make do with your American Express card alone. But not having Diners Club is like having no card at all in tens of thousands of places. It could mean passing up some very nice restaurants, shops and places to stay—unless you're prepared to pay cash.

Why not let us pay for the unexpired portion of your American Express card while you try ours too? Just fill out the application below.



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Previous Home Address Street City State ZIP Code Years there

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Address Street City State ZIP Code

Telephone (include Area Code) Years with firm Annual Earnings NOTE: If less than \$10,000, indicate amt and source of other income, and name and address of banker, broker or att'y who can confirm this.

Amount and Source of other income

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Previous Employer (if employed by above less than 3 years) or College/University if Recent Graduate Yes, with firm or yr. graduated

Name and Address of Personal Reference (not living with you)

4. Name of Bank Branch Address Acct. Number

Type of Account: ☐ Checking ☐ Savings ☐ Loan

Name of Bank Branch Address Acct. Number

Type of Account: ☐ Checking ☐ Savings ☐ Loan

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First Name Middle Last Signature of Add-on applicant Relationship

Please send me _____ forms for additional cards for members of my family.



Signature of Individual Applicant

Date

(HAVE YOU SIGNED THIS APPLICATION?)

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

Silver lining —ski department

The carriage trade may still be schussing the Alps.

But many Americans are watching their wallets—and skiing closer to home.

For instance, at Killington, Vt.

Says Lisa Hoopes, news bureau director at that popular Vermont resort: "Business is good. Reservations are up—and so are sales of lift tickets, and ski package plans, especially for families."

Allegheny and Delta airlines admit to the same cheerful news.

Both plug trips to New England slopes.

"We're doing well," spokesmen for both airlines say.

So are resorts out West, other authorities report.

For years, American Airlines has been urging: "Ski the Rockies."

More and more Americans are heeding that advice.

"Our ski package sales—despite the economy—are definitely up," says American Airlines spokesman David Lobb.

"One of the reasons is that the price is right. Another is that we have a long season to sell. We have snow right up through May."

"But today, I think, more than ever, price is a major factor."

Steve Lohr, president, Europe on Skis, Inc., has to agree.

"Business is good," he says. "But our clientele is different than it was a few years ago. Devaluation of the dollar put the skids to our economy tours."

"Today, the Rockies definitely compete with the Alps."

But a trend to ski America doesn't bug him.

"There's plenty of business," he says, "for both."

They do more than park on company lots

For instance, steal.

Sure, free parking's a favorite employee extra benefit. But it's also a golden opportunity to walk off with merchandise.

Thefts cost business dearly. How much is anyone's guess. Estimates run as high as \$16 billion a year.

You can cut down on parking lot pilferage, says Man & Manager, Inc., New York, N.Y. Here are some ways to reduce employee temptation:

- Leave a little extra distance between the exit and his parking space.

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Bill Waller
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with any loot, the less likely he is to swipe it.

- Keep the lot away from a loading dock or warehouse.

Both are happy hunting grounds for heisters.

- Make the lot off limits to all outsiders.

When friends—or family—are allowed in to pick up workers, theft picks up, too.

- Put a chain-link fence between parking lot and the plant or office.

Taking a detour, through a gate, makes stealing more conspicuous.

What's in it for you?

One expert assesses the cost of employee theft this way: "The price you pay is \$100—for a suit that would cost maybe \$85."

Reading the tea leaves

Where's Wall Street headed? Back to the land of milk and honey?

Or to wander longer in the desert? Experts differ—loudly.

But one clue is almost foolproof, says Yale Hirsch, author of "The 1975 Stock Trader's Almanac."

Namely, how the market fares in the first five trading days of January. "If it's higher then," he says, "odds are that it will be up at year end—and vice versa."

"Since 1950, 17 years got off to a good start in early January. In all but two, the market wound up higher for the year. On eight occasions, January started off lower. In six of those years, it wound up lower, too."

The Almanac (\$9.95, The Hirsch Organization, Inc., Old Tappan, N.J. 07675) calls those first five trading days "an early warning system." It's been right, the Almanac points out, 84 per cent of the time.

What kind of a signal did Wall Street give this January?

Standard and Poor's Composite Index, which includes 500 stocks, was up 2.11 per cent. The New York Stock Exchange Composite Index rose 2.77 per cent.

The Almanac says: "That's bullish."

Of course, in any year, the market has its ups and downs between New Year's Day and Dec. 31.

And there are "acts of God"—such as wars and oil embargoes.

Then, all bets are off.

Maybe it's better to go it alone

Schwartz Swivel Co. makes rubber dinghies and rowlocks.

In the Swinging Sixties, it went public.

A gimlet-eyed analyst spotted it, at once, for a growth company.

Its stock sold like hotcakes, and the dough just rolled in.

But these are the Sober Seventies.

The firm's doing O.K. Its earnings are steady; its debt is low and its cash position strong.

But its P-E ratio is 2.

There's scary talk of some big guy gobbling it up.

So here's the \$64 question at Schwartz: Should it go back to being privately held?

"Hundreds of corporations—maybe 900—could benefit by doing so,"

says Steven James Lee, a financial consultant for Bankers Trust Co., New York, "for a number of reasons."

"Mostly, they're small or medium-sized companies that went public in the '60s"—like the fictitious example above.

How about your firm?

"If the answer's Yes to these questions," says Mr. Lee, "that strategy may be right for you."

- Do you spend a sizable sum on glossy annual reports?

- Is your firm loaded with cash?

- Is your stock selling 40 per cent below its issue price?

- Is less than 55 per cent of it held by the public?

- If your company were private, could you run it better?

Just filling out 50-page forms, annual or quarterly, for the Securities and Exchange Commission can cost publicly held corporations a bundle.

To say nothing of the bill for aspirin.



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The Codification of Honor

Lord Macaulay once remarked, in the course of reviewing a life of Byron, that he knew of no spectacle so ridiculous as the British public in one of its periodic fits of morality. In this post-Watergate period, we seem to be going through one of these fits on our side of the water. The spectacle is not ridiculous—not yet, anyhow—but it bears watching.

Ethics is the in-thing this season. In my own business, the news business, the National News Council has just delivered itself of a "Statement on General Ethics." I pick up the *American Bar Association Journal* and find an article on "The Federal Government Lawyer and Professional Ethics." The mail brings the text of an address by Ivan Hill, president of American Viewpoint, Inc., in Chapel Hill, N.C. The organization's purpose is "to extend economic and political freedom in the United States by improving our ethics." Mr. Hill hopes to establish an Ethical Resources Center to assist corporations, labor unions, municipalities, trade associations and professional associations in updating their codes of ethics.

The Campaign Reform Act that became operative on Jan. 1 marked an effort by the 93rd Congress to purify our federal elections. Very soon now, the 94th Congress will pick up where the 93rd left off, by considering a batch of recommendations from the Senate's Select Committee on Presidential Campaign Activities. Abroad in the land, at least 20 states have adopted laws undertaking to spell out forbidden conflicts of interest. In some of these states, such as Alabama, new enforcement bodies have been created. Some of these bodies are known as "ethics commissions."

The Alabama law is ferocious. It creates a State Ethics Commission which has sweeping responsibilities throughout the state's public life. All affected state officials must file a formidable statement of financial and economic interests. The reporting form runs to 10 pages. The Commission is charged with prescribing, publishing and enforcing rules of ethical conduct applicable to county and municipal officers. Financial disclosure is demanded of persons who serve without compensation on various boards and commissions. Not only members of the Legislature, but their law partners and business associates as well, are prohibited from doing any business with the state. As one consequence of this provision, the number of lawyers in the Alabama House has dropped from 68 to 17. To be sure, that may be a blessing; but in a lawmaking body, it may also prove a disaster.

Looking elsewhere, one reads of a new Code of Ethics for federal judges. The public relations people are deeply concerned with their own ethics and with the ethics of their business clients as well. On every side, the effort is to define, describe, codify, regulate, elevate and legislate—what? The object is to assure right conduct.

That seems to me the simplest fashion in which to describe what this movement is seeking, but the whole business of "ethical behavior" is elusive. How many forms of wrong conduct are there? We may say of a particular act that it is unlawful, but plainly, that which is unlawful is not to be equated with that which is unethical. If a politician takes a bribe,

we do not say he is unethical; we say he is crooked.

Most of the textbook definitions tend to link ethics and morality, but *immoral* and *unethical* are not synonymous terms. It is immoral to seduce the chambermaid; it is unethical to seduce the wife of a friend. Or it is at least ungentlemanly—it is dishonorable—to seduce the wife of a friend. And it may be that in groping for an understanding of our national rededication to "ethics," the concept of honor is close to the mark.

If this is so, I doubt that 10,000 legislators, drafting laws by night and day, will ever succeed in defining what is sought. The cynical Falstaff mocked the very notion of honor: It was a mere word; it was air; he would have none of it. In the opposing view, honor is everything. But how do you codify the concept? One is reminded of J.P. Morgan. An acquaintance, interested in owning a yacht, asked how much it would cost. "If you have to ask that question," said Morgan, "you have no business owning a yacht." Honorable men know what is dishonorable; they need no catalog. By the same token, the ethical politician, businessman, lawyer, doctor or editor knows what is unethical; codes, manuals, statutes, and framed plaques on the wall cannot provide more than unneeded reminders.

That is why I am doubtful, to return to the main theme, about many of the laws that are being passed—laws that deal with disclosure, sources and amounts of income, conflicts of interest, and all the rest. I am not doubtful about the intention of these laws. The intention is admira-

The Codification of Honor *continued*

ble. The intention is to purify our elections, to protect the public interest in honest government, and generally to raise the level of public service. These are splendid aims; but I doubt that in Alabama, or anywhere else, you get at them through a 10-page form.

In his famous treatise on ethics, Aristotle observed that one may go wrong in many different ways, but right in only one. That is why it is so easy to fail and so difficult to succeed—so easy to miss the target, and so hard to hit it. The state legislator who is minded to “go wrong” can fill out a thousand forms and observe the letter of every proscription; but if he is determined, he will find some loose knot in the net. He will wiggle through. There is a maxim of law, I believe, which teaches that everything is excluded that is not included. To require, as Alabama requires, that every appointed official must divest himself of all stocks, bonds or other interests in businesses that do business with the state will not assure an honest appointee. The way to get honorable men and women in public life is to elect or to appoint honorable men and women in the first place. In the end, this is probably the only way.

There is the further objection, or so it seems to me, that some of these disclosure laws may succeed in repelling the very persons—persons of integrity, persons of honor—who are most needed in public life. The Alabama law requires, in some instances, not merely that a man publicly disclose his own income, assets, liabilities and net worth, but that he provide similar data on his relatives—and not only on his relatives in the state, but on his relatives outside the state also. The most conscientious person, contemplating so gross an invasion of his privacy, might understandably decline public service.

It was the Watergate scandal that set in motion these surging currents of reform and regulation. In express-

ing reservations about the substantive nature of the new laws, I surely do not intend to condone the abuses that brought them into being. Watergate covered the whole spectrum, with offenses that were unlawful, immoral, unfair, dishonest, unethical and just plain wrong. I venture no objection to that part of the Campaign Reform Act which requires a candidate for House or Senate to disclose the source of his campaign contributions. Especially where large sums of money are involved, the voters have a right to know where the money is coming from. Some of the statutory recommendations of the Senate's Select Committee, soon to be considered by the incoming Congress, may also prove useful additions.

But my argument is that the new “ethics” and “reform” laws, however well-intentioned they may be, are at best frail instruments for promoting integrity in public service. At worst, they may provide cures more damaging than the disease: The limitations upon campaign contributions, for one example, raise grave questions of First Amendment freedoms. Public financing of Presidential elections (to be followed in time by public financing of Congressional elections) may leave the two-party system dying of anemia. Limitations upon campaign spending, though they have much appeal in theory, are likely in practice to provide an unfair advantage to incumbents. For a final objection, the effort by Congress to preempt the field of election law is certain to promote the ill-advised movement toward direct national election of Presidents. If that happens, we will have lost the structure of federalism on which the Constitution rests.

Sen. Sam Ervin of North Carolina said many of these things, and said them more eloquently, in his final statement last summer as chairman of the Select Committee. He had then spent more than a year listening to the sordid Watergate story of corrup-

tion and concealment at the very highest levels of government. He hoped the recommended bills would provide some protection against a recurrence. But he said:

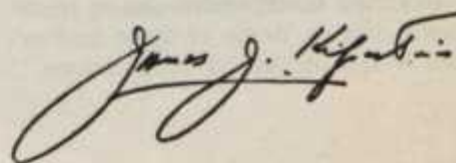
“Candor compels the confession . . . that law alone will not suffice to prevent future Watergates. In saying this, I do not disparage the essential role which law plays in the life of our nation. As one who has labored as a practicing lawyer, a judge, and a legislator all of my adult years, I venerate the law as an instrument of service to society. At the same time, however, I know the weakness of the law as well as its strength.

“Law is not self-executing. Unfortunately, at times its execution rests in the hands of those who are faithless to it. And even when its enforcement is committed to those who revere it, law merely deters some human beings from offending, and punishes other human beings for offending. It does not make men good. This task can be performed only by ethics or religion or morality.”

Those who seek or hold public office, Sen. Ervin said, must have two characteristics: They must hold the abiding conviction that public office is a public trust, not to be abused for private advantage, and they must possess “that intellectual and moral integrity which is the priceless ingredient of good character.

“When all is said, the only sure antidote for future Watergates is understanding of fundamental principles and intellectual and moral integrity in the men and women who achieve or are entrusted with governmental or political power.”

The same considerations, of course, apply to right conduct in business, in labor, in the media, and in the learned professions. And these considerations will continue to apply long after this post-Watergate spasm of morality has run its course.



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SOMETIMES LETTERS JUST DON'T DO IT.



Ratify the Equal Rights Amendment?

After overwhelmingly backing the proposed Equal Rights Amendment to the U.S. Constitution, Congress sent it to the states in March, 1972, for ratification.

Before that year was out, it had won favorable votes from legislatures of 22 states—well over half of the 38 such actions needed to make it official.

So supporters anticipated speedy ratification of the amendment, which declares that: "Equality of rights under the law shall not be denied or abridged by the United States or by any state on account of sex."

But ERA's momentum has slowed markedly since then. Approval of five more states is still needed for ratification—seven more if decisions by the Nebraska and Tennessee legislatures to rescind favorable votes are allowed to stand. Last year, the amendment was approved by only three of the 11 state legislatures that acted on it.

These developments have not only raised the question of whether it will be the 27th Amendment, but have re-generated the debate over whether it *should* be.

Opponents [see James J. Kilpatrick's "The Case Against ERA," *Nation's Business*, January, 1975] are pressing arguments that the amendment would jeopardize existing family-support laws; wipe out hard-won legislation giving working women special protection; make women subject not only to the military draft but to combat assignments; and perhaps lead to such changes as common public rest rooms. In addition, they say, civil rights legislation of recent years has eliminated most of the discrimination that backers of ERA are aiming at.

Supporters of ERA counter that its basic purpose is to eliminate sex as a factor in determining the legal rights of individuals, and that it would apply only to government ac-

tion and not require change in traditional measures to safeguard privacy. There is still enough discrimination against women to require a constitutional amendment, they say, and worries about drafting females into military service are baseless in this era of all-volunteer armed forces.

The Equal Rights Amendment issue is important to businesses as such because of the many ways it would affect them—directly and indirectly. A legal brief prepared on behalf of the League of Women Voters, which supports ERA, says the amendment would "have a significant impact" on such matters as: credit, age of majority, alimony, support laws, business and professional licensing, disability insurance, inheritance, protective labor laws, adoption of the husband's name at marriage, unemployment compensation for pregnant women, and job training.

Should the Equal Rights Amendment be ratified? What do you think?

PLEASE USE FORM BELOW FOR REPLY

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should the Equal Rights Amendment be ratified?

☐ Yes ☐ No

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Prayer in the Schools: an Overwhelming Verdict

Congress and the U.S. Supreme Court might well take note of the response to the "Sound Off to the Editor" question posed in the December issue of *Nation's Business*: "Should prayer be allowed in public schools?"

By a margin of 14 to one, readers say the Supreme Court ruling of almost 13 years ago banning school-



Paul A. Wilson, president of Cameo Enterprises, Wichita, Kans., votes No. He says: "Children should not be under pressure to make a show of believing."

conducted or -supervised prayer should be overturned.

"With simple prayer illegal in public schools for the very young, soon they will be ashamed to bow their heads in any public place," writes D.W. Glover, president, Glover Distributing Co., Inc., Shreveport, La. "Will the church be next? Then the family dinner table? The senile old men of the Supreme Court will have long since gone to their reward, but will God then help those of us who let it happen?"

Says Curtis D. Eagle, president, Eagle Engineering & Supply Co., Alpena, Mich.: "This country was founded 'under God' but our government has interfered with this concept by legislating through the Supreme Court."

F.R. Van Hooreweghe, a Moline, Ill., attorney, says: "The lesson of present government corruption should perhaps induce one to contemplate a return to some of our traditional moral values. Awareness of a Supreme Being might lead to improved morality by all."

Another attorney, C. Allen Elggren, of Salt Lake City, Utah, takes a somewhat similar tack: "Any practice in the public schools which would tend to influence the students to develop moral conduct cannot help but be good. Certainly, the sterile at-

mosphere of our public schools over the past 12 years has shown itself in the great increase of undisciplined, immoral action among our young people."

On the other hand, Richard J. Guenther, superintendent of the Hastings, Mich., public schools, writes: "Spiritual values are a joint responsibility of church, school and home. Unfortunately, there are some who want to push the whole responsibility onto the schools. We must guard against introduction of sectarian religious values in the schools."

Prayer, writes the Rev. Robert W. Tully of First Congregational Church, Watertown, Wisc., "is only meaningful as a private or personal act, and not as a public display. Prayer must not be used by the state to serve its own purposes."

Says R.C. Pittenger, director, antibiotic production, Eli Lilly & Co., Indianapolis, Ind.: "If freedom of religion is still sacred, then state-supported religious exercises should be forbidden regardless of their character."

Another No response comes from Waynette Corby, of San Antonio, Texas: "When I was in grade school they had prayers over the loudspeak-



Raymond N. Carlen, president of J.T. Ryerson & Son, Inc., Chicago, Ill., feels restoring school prayers would lead to a drop in crimes by students.

ers and they always ended with 'in Jesus' name we pray.' Since I was Jewish, I didn't feel right praying. Unless prayers are really nondenominational and are checked up on—forget having them at all."

F. Roger Little, principal of the Craig, Colo., junior high school, is on the majority side. "Forces outside the school," he writes, "are overwhelming young people today—with the result in so many cases that stu-

dents cannot concentrate, study, pursue goals, or possess the necessary foundations (from home and church) that are needed to sustain us all, not only in times of stress but just in living. Our young people should recognize God's power."

Says Peter J. Leofsky, president, Dapex Consultants, Syracuse, N.Y.: "God is fundamental to this country—to people. If we always appease the minority, what rights are left for the majority?"

R.C. Wittlinger, president, Pioneer Foundry, Inc., Houston, Texas, says: "Voluntary prayers should be guaranteed. To do otherwise is a viola-



School prayers, says Frank C. Munster, president of Atlas Iron & Wire Works, San Diego, Calif., would help to "mold young minds" in ways that are beneficial.

tion of the rights of those (majority) who desire it. Some schools have even gone so far as to stop the Pledge of Allegiance!"

James R. Spees, president, Rapid-Packaging Corp., Grand Rapids, Mich., says his "family is being denied the recognition of Christian faith in public schools on one hand and force-fed the gospel of 'humanism' in all subject matter on the other hand." He calls this a "travesty of liberty."

Another emphatic Yes comes from M.L. Murphey, president, Jordan Millwork Co., Sioux Falls, S.Dak. "This is a privilege that should not be denied to anyone," he says. "Next they may want to ban prayer at public events and then in homes. Give God a chance."

J.L. Stephenson Jr., president, Chambers Lumber Co., Macon, Ga., wants prayer in public schools restored, but at the same time he has some doubt. "I only hope there are still some schoolteachers qualified to teach young people to pray," he says.

WHAT READERS WANT TO KNOW

How does the current unemployment rate compare to those in other periods of economic downturn?

The seasonally adjusted unemployment rate for December was 7.1 per cent, and the average for 1974 was 5.6 per cent (it was 4.9 per cent in 1973). During the last severe recession, the rate climbed from 4.2 per cent in July, 1957, to a high of 7.5 per cent in July, 1958.

Last December's unemployment level was the highest since May, 1961, when it was also 7.1 per cent.

Our lowest annual unemployment rate in recent years was in 1969—3.5 per cent.

The highest recorded annual rate was 24.9 per cent in 1933. However, you cannot accurately compare that rate to those of today. Since 1949, yardsticks used to measure unemployment have changed. For instance, the measured work force used to include those 14 years and older. Now, the minimum age is 16.

To put current figures further in perspective, the unemployment rate was 5.2 per cent in January, 1974. The increase in the rate from last November's 6.5 per cent to December's 7.1 per cent was the biggest since the September-October period in 1960, when the rate also rose six tenths of a per cent.

The United States is moving toward the metric system, isn't it, even though Congress hasn't made it mandatory?

Yes. A number of large manufacturers, including General Motors, have announced plans for, or have already begun, conversion programs. Some schools have begun to teach the metric system. Twenty-one states have indicated they will switch completely to teaching metric in public schools no later than 1977.

The pharmaceutical industry has been using metric measurements for years. Also, about 50 per cent of all packaged food items are labeled in both customary and metric quantities. [See "Soon It May Be 'Give a Centimeter and Take a Kilometer,'" *Nation's Business*, April, 1971.]

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PHOTO: YOSHI KAWANO

Simon's Campaign to

Nation's Business
February 1975

There's a television show on the air in Washington every Saturday that features a mixed group of correspondents discussing what's been going on around town.

"I watch you each week," William E. Simon told a participant one day at a luncheon. "Boy, you guys don't know how many times I've been on the verge of calling you up right then and telling you what you just said was all wet."

"I talk back to the television set," Mr. Simon explained a few moments later. "I just can't stand it when somebody gets something perfectly simple messed up in trying to explain it."

As Secretary of the Treasury and chairman of the President's Econom-

ic Policy Board, Mr. Simon is equally pained that in this period of economic stress so many ignore what to him is a simple explanation of why we are now struggling with recession and inflation.

"We're in this mess because of things done in the past," he says. "Inflation causes recession. We're going to come out of it, but we don't want to come out of it and two years from now have worse inflation, which could only lead to worse recession."

"What I wish everybody would understand is that government spending doesn't cure economic problems. Massive government spending just creates them."

Statements similar to these have caused some members of Congress,



By the time he arrives at the White House at 8 a.m. each day for meetings, Treasury Secretary William E. Simon has already put in an hour's work in his own office. President Ford meets at least twice weekly with the executive committee of the Economic Policy Board, which Mr. Simon chairs, and the two frequently talk alone about Administration economic plans for the nation.

Curb Big Government

columnists and economists to accuse the 47-year-old former New York investment banker of being a "Neanderthal," or "Eighteenth Century thinker."

To this, Bill Simon says simply: "It's the philosophy that bothers them. If they can't punch holes in the philosophy, they try to tear down the man."

He contends his philosophy is merely an unshakable belief in the American free enterprise system, "which has brought us the greatest prosperity in the history of the world."

"All I'm saying is that this system has worked, is working and will work if we let it and don't strangle it with government and regulation."

Mr. Simon has been preaching a

message of less government and less government spending ever since he joined the Administration in 1972 as Deputy Secretary of the Treasury.

But it wasn't until the energy crisis struck in December, 1973, that he jumped overnight from being a little known sub-Cabinet official to a household word.

That was when he was named to take over the Federal Energy Office, established by President Nixon to coordinate federal energy policies. With imported Arab oil cut off in a global political power play, Mr. Simon's job became one of keeping fuel going to businesses so they could continue to produce, and making enough fuel available to the public to keep it comfortable and mobile.

He succeeded—"and without getting into any coupon-rationing fiasco," he says with a grin of satisfaction.

Big, bad Bill?

But along the way there started building a long list of what he calls "myths about Simon."

Such as?

- Mean, tough to work for and get along with.
- Has a short fuse . . . temper blow-ups.
- Fighting for power.
- Rigid.

"Your list could go on and on," he says. "They just aren't true, so why worry about these petty things?"

What does worry him, he says, is

Simon's Campaign to Curb Big Government *continued*

that in this "critical issue stage" there seems to be very little concern about issues, but a lot of focus on personalities.

"You know, Sen. Fulbright [J. William Fulbright, a former chairman of the Senate Foreign Relations Committee who lost an Arkansas primary contest] put it pretty well in his farewell speech at the National Press Club when he said, 'You people are more interested in the singer than the song.'"

The song being sung today could very well be entitled, "The Economy," with Congress and the Administration a Washington version of Tin Pan Alley.

When Mr. Nixon named him Treasury Secretary (after a first choice declined the job) to succeed George Shultz, Mr. Simon immediately put on 44 other hats—for that's how many officially designated functions the nation's top financial officer has. He added another when Presi-

dent Ford named him to chair the newly created Economic Policy Board.

The Board's executive committee meets in the White House daily at 8:30 a.m., to discuss the economic state of the nation, and it meets with President Ford twice a week, sometimes more often.

An early bird

By the time of the 8:30 a.m. meeting, Mr. Simon has already put in a pretty good day. He gets up every morning by 5, "catches up on my reading with a cigaret and a cup of coffee," and is usually in his Treasury office shortly after 7. At 8, there is a meeting with Donald Rumsfeld, the President's top assistant, and the senior White House staff.

After the executive committee session—the other participants are L. William Seidman, staff director of the Policy Board; Alan Greenspan, chairman of the Council of Economic Ad-

visers; the director of the Office of Management and Budget; and the President's special assistant for trade—he is back at Treasury coping with a schedule that changes almost hourly.

The Secretary was one of the chief suppliers of the options President Ford considered when he finalized the Administration fiscal policies that he outlined in his State of the Union message to Congress.

Says Mr. Simon: "The President has to have every option available to him when he makes his decisions. The Economic Policy Board certainly tries to give it to him. Sometimes recommendations are unanimous. Sometimes strong opinions of a varying nature are also given."

Does he ever give his opinions to the President, personally and alone?

"Oh, sure. He knows how I feel. He knows how a lot of people feel. He gets a good input. Then he makes the decisions. Sometimes, when we

The easiest place for the Simon family to pose for a picture is in the living room of their big home in McLean, Va. They are (left to right), Julie, 11; Secretary Simon; Aimee, 14; Mrs. Simon (Carol); Peter, 21; Mary, 20; Katie, 7; Bill, 23, and Leigh, 17.



talk, it's philosophical. Other times, I've got position papers with me, especially when we talk about taxes."

To get the nation out of recession, the President proposed a \$12 billion reduction in income taxes for 1974, to be rebated by the Treasury in two checks. In addition, noting that inflation is pushing people into higher tax brackets, he called for a \$16.5 billion annual reduction in personal income taxes from 1975 on.

Mr. Ford also proposed a one-year \$4 billion increase in investment tax credits for farmers and business. For the future, both to offset "inflationary distortions" and to stimulate activity, he urged a reduction in the corporate income tax rate from 48 per cent to 42 per cent of profits above \$25,000 (the present 22 per cent rate on profits below \$25,000 would remain).

On the energy front, the President asked Congress to increase excise taxes or import fees on all crude oil, and on imported petroleum products, by \$2 a barrel. Meantime, on his own authority, he said, he will raise import fees \$3 per barrel by April 1, and he will limit imports if he feels it is necessary. And he said he will end price controls on "old" domestic oil.

Also, he would delay certain environmental standards for autos, deregulate the price of new natural gas, raise natural gas excise taxes and impose a windfall profits tax on energy producers. In addition, he would extend the investment tax credit increase (a rise from 7 per cent to 12 for most businesses and from 4 per cent to 12 for utilities) for two years in the case of utilities that build power plants which don't use oil or natural gas.

A "horrifying" deficit

A result of his proposals, Mr. Ford said, would be a 1976 budget deficit of at least \$45 billion.

The size of the deficit "horrifies me," Mr. Simon says, but he adds that it is necessary to stop the nation's economic slide. He emphasizes: "I intend to fight to enact the President's entire program. And it should be taken in its entirety."

That the Administration is going to have a big fight on its hands in

Congress is obvious. The Democratic majority has proposed its own version of a remedy for the nation's economic ills and, while it favors a tax cut, it prefers one different in emphasis than the President's.

Because Mr. Simon is an ardent advocate of pay-as-you-spend policies, eyebrows were raised all over Washington when it became known some weeks before the President's message that the Administration was thinking of the cut and that he hadn't hit the roof.

The Secretary says he doesn't see any contradiction.

"First of all, nothing is more important than responsible budgeting," he explains. "If we had followed pay-as-you-go policies over the past decade, we wouldn't be in our present mess. However, I don't advocate a balanced budget when the economy is falling off into recession. Budget deficits in recession are inevitable and even desirable, since they do provide a needed degree of fiscal stimulus."

"But we also have rampant inflation to contend with. And there is a world of difference in terms of inflation between a deficit which results from sluggish tax revenues, and one which results from runaway federal spending. The first type of deficit helps to stabilize the economy; the second type would further destabilize it."

Since the Secretary isn't shy about speaking up for Administration economic views, there's hardly a network talk show on television he hasn't appeared on more than once. In fact, he and Secretary of State Henry Kissinger are probably the most publicly recognizable of all Cabinet members.

In his TV appearances, or when he is testifying before a Congressional committee, Mr. Simon startles listeners with the machine-gun rapidity with which he hurls out a seemingly endless array of facts and figures—specifics on almost any subject within the sphere of the moment.

"It's disconcerting to see a man so damn sure of himself," one Congressman confides. "You'd think he'd have to look at some notes once in a while just to make sure he's right."

One reason he doesn't need notes



Whatever he is doing at the moment receives the utmost concentration from Mr. Simon.

is because "I have an almost photographic memory," the Secretary says. "I seem to be able to remember almost anything I've read, including some damn silly stuff. I don't mean just the substance of something, but the page number."

In a cross fire

Mr. Simon is considered, even by his critics, a dedicated, hard-working and competent person. But his views—and more importantly the ability to influence the President with those views—bring him into a strong cross fire from Congressmen, from dozens of diverse groups, and even from within the Administration.

One basic cause of conflict between some in Congress and Mr. Simon is his belief that whatever you do in the short term for the economy has to be consistent with long-range objectives.

"Unfortunately, too many in government view long-term projection as the next election," he says.

"I tend to take the longer view. I'm dedicated to turning around this



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- Move closer to a competitive free market for energy. (Excessive controls can cripple incentive to find new supplies.)
- Accelerate federal research into alternate fuels. (Such as oil and gas from coal, and solar energy.)

And do it *now*. Because some of these steps will take years to complete; and the quicker Washington starts, the sooner America's energy problems will be solved. YEA '75!

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Simon's Campaign to Curb Big Government *continued*



The telephone is an essential tool in Secretary Simon's workday and he's never very far from one. Gerald Parsky, Assistant Secretary for Trade, Energy and Financial Resources Policy Coordination, catches up on some last-minute details before talking to his boss when the call is ended.

big ship of government. Government at all levels today is taking about 32 or 33 per cent of our gross national product. If it continues to grow, it's going to be the end of our free enterprise system."

Mr. Simon says he is enough of a "political realist" to know it isn't easy to cut government spending or convince everyone that overspending is the prime cause of inflation.

"We have a love-hate relationship with inflation," he contends. "We hate inflation, but we love everything that causes it."

Regulations that restrict

The biggest surprise to him when he came to Washington, he says, was "the way everybody runs to government for the answer to a problem. Everybody, business included. I was simply amazed. Government's not the answer. Government's mostly the problem."

One area, in the Secretary's view, that's long overdue for a close look

is just what regulation is really doing to American business.

"The regulations that were created to protect have ended up protecting special interests," he says. "Most are anticompetitive and cost consumers billions of dollars. And they certainly cost business, too."

"It will be an excruciatingly difficult thing to do to judge these regulations on the basis of what they're really accomplishing. But just because it's tough doesn't mean you shouldn't try."

The Secretary and his wife, Carol, live in McLean, Va. They have seven children, ranging from William E. Jr., 23, to Katie, 7.

When he isn't working, which is rare, Mr. Simon likes to play tennis, and he scrounges around for a partner when an unexpected free hour turns up.

"I usually can get Art Buchwald [the columnist]. He's a tennis bug, too, and seems to be able to drop what he's doing almost any time."

Mr. Simon had an intimate knowledge of some of the Treasury's activities before he officially joined it. As a senior partner of Salomon Brothers he was responsible for the investment banking firm's government and municipal securities department.

"I knew the financial end of Treasury," he says. "But I didn't know much about the law enforcement part. I learned."

While Mr. Simon plans to stay as Secretary of Treasury as long as the President wants him, he definitely doesn't intend to be a 30-year government man.

"I worked my way up to the top once before and I can do it again," he says, grinning.

But he is serious when he answers a question on how he will feel about the job he's done if and when he does return to private business:

"Comfortable. I'll feel comfortable. I won't have compromised any principles. I'll have spoken my piece and done my best." END

Next Tuesday Robert Mason is going to receive competitive bids, believing he'll get his new building at the lowest possible price. He'll be wrong.

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Can We Produce Enough Food?

BY SEN. HERMAN TALMADGE
(D.-GA.)

Our farmers, writes the Senate Agriculture Committee chairman, will be able to increase their miraculous output if certain steps are taken—but there are limits to what even they can do

Can the United States continue to serve as "breadbasket of the world," feeding not only its own people in a manner unprecedented in human history but trying to satisfy the food needs of so much of the rest of mankind as well?

To answer that question we must first understand the complexities of the global food situation.

Two years ago, bins and silos across our land bulged with grain, the base product from which so much of our food—especially beef—flows. Americans could eat abundantly and cheaply. And millions of tons of feed grains were left over, not only to feed the hungry of Asia, Africa and other underdeveloped and undeveloped areas of the world but to meet some of the demands of rich, industrialized nations.

But there has been a marked change in the picture. International affluence, and the diminishing value of the American dollar, have vastly stimulated demand for our agri-

cultural products. The world food supply-demand situation has been turned topsy-turvy. Inflation has taken its toll. Fuel, so essential in the manufacture of fertilizer, has soared in price and has become scarce or potentially scarce. Weather has dealt harsh blows. And the American farmer, instead of enjoying the fruits of his labor, has become the target of scorn.

While huge farm surpluses may be a thing of the past, America has the capacity and know-how to continue expanding its output. Millions of additional acres of land can be converted to agriculture. Technology continues to improve. It is a miracle of our times that only 4 per cent of our population can produce such an abundance of food and fiber—enough to feed and clothe 210 million Americans and millions more abroad. And these farmers are prepared to do more, if they have adequate supplies of fertilizer, equipment and good weather, and—above all—if they are

given guarantees of adequate price and income protection.

Despite all the problems and adversities that plague agriculture, some bright spots appear on the horizon. American agriculture is far and away the most efficient and most productive in the world. It continues as our nation's most productive economic sector.

Not surprisingly, perhaps, U.S. agriculture today accounts for nearly all of the soybeans, about half of the feed grains and a third of the wheat and rice in international trade. In a sense, this food abundance is to the United States what oil is to the Middle East.

Except for our massive exportation of farm commodities—nearly \$22 billion in 1974—the U.S. balance of payments ledger would show a much grimmer bottom line. Food exports have helped immeasurably in recent months to offset some of the American trade deficit resulting from the exorbitant price of Arab oil reaching our shores.

Needless to say, the high productivity of the American farmer is critically important in this period of food supply uncertainty.

We have been most generous with our food. Our humanitarian instincts and Christian heritage have moved us to help those who are starving, who are suffering from malnutrition. I believe strongly in large-scale exportation of American food, for dollars or for humanitarian reasons. But I don't want the U.S. to fall into short supply. If people are going to be hungry in the world, I want Americans to be the last to be hungry.

Sharing what we can afford

There are some realities that cannot be ignored. We represent only 6 per cent of the world population. It's simply beyond our capacity to guarantee that the remaining 94 per cent of the earth's inhabitants eat well. I believe in helping the poorer nations—and others—by making avail-

able our technology and I believe in sharing with them what we can afford.

Further, I am in favor of cooperating with other nations in trying to relieve hunger. But that isn't plowing new ground. We've been doing this for 20 years, to the tune of some \$25 billion in food aid alone. That's more than all the other nations of the world combined have given. I am, however, unwilling to have some foreign agency tell the United States in what quantities it must ship food and to what countries. I want America to retain control of the amount, and control over who receives it.

Export controls are mentioned as a panacea to ensure that no food leaves our shores until American needs have been adequately met. This is a shortsighted approach to a long-range problem. We cannot treat lightly our commitments to those nations which traditionally depend on American agricultural products. If we impose export controls, or slap on an embargo, these countries will look elsewhere for their food. A good example of this is the embargo we imposed on soybeans about two years ago. Japan, one of our major customers, was forced to look elsewhere. It invested huge amounts of capital in South America, particularly Brazil, to produce more soybeans. Not that Japan wanted to turn away from the U.S.; it simply was seeking insurance against an unreliable supplier.

While I am opposed to direct export controls I think it is imperative that we monitor more closely our stocks of wheat, feed grains and soybeans. Only in that way can we be sure we not only will meet our domestic needs but at the same time will not commit irreparable harm to our friendly trading partners abroad. And as far as our trading partners are concerned, they must realize that we cannot sell what we do not have. Healthy international trade relations are always based on a healthy domestic economy.

We do not need a drastic revision of our current national farm programs, but some changes in the 1973 Agriculture and Consumer Protection Act will have to be made in order to guarantee realistic prices for our farmers. As a first step in the new Congress, we will develop an emergency farm bill to be entitled, "The Agriculture and Anti-Depression Act of 1975."

I hope Congress accepts the fact—and the Administration will go along—that we must substantially raise target prices for cotton, wheat and feed grains. Equally important, whatever legislation emerges, there must be an "escalator clause" guaranteeing the farmer compensation for increases in production costs over which he has no control. That is in addition, of course, to guarantees that he will receive an equitable return on his investments of money and labor.

Targets that miss

In the 1973 Act, the Senate tried to establish a price floor on basic agricultural products so the farmer would receive 70 per cent of parity (a formula which guarantees that a farmer's buying power is kept abreast of rising costs) but we had to settle for less in the face of a threatened Presidential veto. In the two or so years which have followed that legislation, the cost of production of many farm products has risen 50 per cent or more. Hence, the target price levels set in 1973 (averaging about 50 per cent of parity) are unrealistically low.

If we are going to ask the American farmer to produce more food for our own domestic consumption, we have to assure him that he won't be hit by disastrous cost increases. Cotton is a good example. Last year, cotton sold for about 40 cents a pound. But it now costs many farmers over 50 cents to produce that same pound of cotton. The result is that you will see large acreages of

Can We Produce Enough Food? *continued*

cotton being switched to soybeans this year because the farmer believes he'll get a better break on that commodity at the marketplace.

I am sure our farmers will heed the call of President Ford for all-out farm production in 1975. But simple economic justice demands that they be provided reasonable income protection in return for the high risk they must shoulder.

There is no question that the shortage of food and the escalating world population are inextricably tied together. It was estimated at the recent World Food Conference in Rome that 144 per cent more food, or a total annual global output of 3.7 billion tons, will be required just to maintain current inadequate levels of nutrition in the face of a one billion population increase by the year 1985.

The United States has done its utmost to help alleviate hunger and malnutrition across the face of the globe. It will continue to do so. But we cannot carry the burden alone. Nor should we be expected to do so at giveaway prices.

Already, the United States is taking steps to broaden its output of

food. Since 1972 we have increased the number of acres under grain production by 23 million, for a total of 167 million acres. Another 20 million acres of idle cropland can be made productive within a reasonably short period. Similarly, we raised our investment in agriculture by \$2.5 billion in 1973 alone. Certainly, proportionate efforts should be made by all food exporting countries.

Unfortunately, the birth rate is highest in those areas of the world with the least efficient agriculture—in Asia, Latin America and Africa. While the developing countries, with their large and growing populations, have 35 per cent more land in grain production than the developed countries, they produce 20 per cent less grain. By 1985, it is estimated, the gap between what the developing nations produce and what they need could rise from 25 million tons to as much as 85 million tons annually.

We must also consider in any forecast of future food supplies that even if zero population growth is achieved in the most highly industrialized nations, the demand for more food (and more nutritious food) will continue to increase in them. Stan-

dards of living are steadily rising in virtually all of these countries and this has spurred demands for a higher protein diet, which principally means meat, milk and eggs. Per capita meat consumption in the United States, for instance, has reached a level of about 188 pounds a year and is still going up. Every country that can afford it either is producing or buying more meat than ever before, although per capita consumption does not match that of the United States.

In addition to some \$25 billion worth of agricultural shipments under the Food for Peace program since 1954, we have been most generous in sharing our technology. Under the foreign aid program, we have encouraged countries which cannot adequately feed their people to use better strains of seed, more fertilizer and more efficient methods of agriculture. While this has not been overwhelmingly successful, we must continue to help these countries to help themselves.

Pouring tremendous amounts of food and money into needy countries is humanitarian beyond doubt. But it may be a disservice at the same time. The more we give, the more they rely on us. Why not encourage a Marshall Plan approach in which, given initial help by us, they work toward self-sufficiency? We would continue to provide technological assistance, working closely with their farmers to develop their own agricultural resources.

Fertilizer: a key

A key to any solution of food shortages, both at home and overseas, is the availability of fertilizer. Cheap food which we have enjoyed for so many years in this country has stemmed from constant improvements in farm technology. Higher-yielding and disease-free varieties of crops and more efficient machinery are examples. But, above all, this superabundance of food is due to the expanded use of fertilizer. In the past quarter century, we have seen corn and sorghum yields tripled and cotton and rice yields more than doubled. Parallel gains have been noted throughout agriculture.

However, fertilizer supplies for this

PHOTO: UPI



Last November's World Food Conference in Rome heard that farm output must spurt mightily, merely to keep up with population. Here, Secretary of State Henry Kissinger addresses the parley.

SOMETHING TO BEEF ABOUT?

Americans are the most inefficient consumers of grain in the world and that's because they eat so much meat.

For example, it takes seven pounds of grain to add one pound to the weight of a steer. Four pounds of grain are required for each extra pound put on a hog. The ratio for poultry is three to one, except for the modern turkey (with its unique digestive system) which gains a pound for each two pounds of grain it consumes.

According to Ogden Corp., a major food supplier, the average

American consumes 1,600 pounds of grain yearly, but only 150 pounds of that are eaten directly in the form of breadstuffs and cereals. The remaining 1,450 pounds are consumed indirectly, largely through meat.

In one of the typical developing countries, however, a person will consume about 400 pounds of grain a year, practically all of it eaten directly. The other side of the coin, of course, is that he doesn't get the body-building protein that the American's diet so abundantly provides.

can break the market price of any reserve commodity by releasing it for sale whenever it chooses.

I can't predict how agriculture, and the problems inherent in agriculture, will fare under the new Congress. It is becoming increasingly more difficult to steer sound farm legislation through Congress. Fewer and fewer members have an appreciation of, or an interest in, the problems of the farmer. With the new makeup of the House of Representatives, for example, the majority of its 435 members don't have a single farmer in their Congressional districts.

But I believe we have a chance now to convince them their well-being is affected by how much American agriculture is producing, and how sound American agriculture is. This is the task ahead. And the farmer must make his voice heard.

This new Congress has an opportunity to win a place in history by doing more lasting good for American agriculture than any Congress since the 1930s. I hope it will meet that challenge. **END**

year are expected to be down nearly 20 per cent from 1973. At the same time, the price of fertilizer is skyrocketing with no end in sight.

If we are going to have adequate supplies of fertilizers to meet the ever-growing demand for food, we must give fertilizer manufacturers priority in the allocation of natural gas. You can't produce food without fertilizer and you can't produce fertilizer without natural gas. Because of environmental and other factors, we are not building enough new fertilizer plants now to keep up with demand. I find it ironic that 10 U.S.-built fertilizer plants are under construction in Communist China and others are planned in Soviet Russia while we sit in limbo.

However we resolve our own food problems, I will insist that it not be at the expense of the free enterprise system. No one is more averse to government intervention in the marketplace than I am. That is why I am skeptical about imposing export controls on our farm products and that is why I am opposed to a return to huge government-controlled stocks of food reserves.

Experience has shown us over and over again that undue government interference in agriculture is always extremely costly to the taxpayers. That was especially true a few years back, when our silos and warehouses

bulged with surplus farm commodities purchased and held in reserve by the federal government. Not only is this inordinately costly but it poses a threat to the market price of all commodities—the government

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By VERNON LOUVIERE
Associate Editor

New on the Art Scene: the Computer Style

You can now lease data processing equipment and satisfy your taste for art at the same time.

It's all in the cause of improving the workplace.

James Talcott, Inc., a New York-based financial services firm, offers to attach original paintings by American artists to computers it leases to customers.

"We see no reason why art should stop at the door of business," says Donald S. Alvin, marketing vice president. "What we do see is a great opportunity for businessmen to bring art where most of the people are, most of the time. At the very least, it will make people happier. It might even result in better work."

To be sure, art is popping out all over, moving out of museums and mansions onto the streets. More and more office building lobbies and approaches show off paintings and sculpture. Parks and vacant lots have become open-air art galleries.

"While there has been great progress in bringing art to people, there's one area where little or nothing has

This is a typical example of workplace art that Talcott supplies for leased computer equipment. It was done by New York artist Emilio Cruz.



been done," Mr. Alvin says. "And this area is perhaps the most important. It's where you and I spend most of our waking hours, and nearly half our lives. Traveling to and from work we are bombarded by art. But when most of us enter our offices we are shut off. We are in places designed for efficiency and expediency. And in many cases for machines."

Talcott decided to do something about the working environment. With the help of major museums, it selected 14 talented artists and commissioned them to bring color to the

computer and the surrounding area.

A Talcott customer can select an artist of its choice to create a painting for equipment it leases. There is no charge for this artistic lagniappe. Moreover, companies which fulfill the terms of their leases are permitted to keep the art when the computers are returned.

"Art and business have for too long been at cross-purposes," Mr. Alvin says. "It is our hope that a new kind of renaissance will occur. Not for business' sake or art's sake. But for people's sake." •

Strength Where There's Weakness

More and more companies are finding it good business to do business with minority-owned firms.

Some companies are going beyond that. They are offering know-how which makes it easier for the minority businessman to sell to them.

In 1972, a number of corporations, working with the U.S. Department of Commerce, formed the National Minority Purchasing Council to help members of minorities get into the mainstream of American business.

The move "was born out of the recognition that most of the nation's

racial problems are fundamentally economic in character," says Phillip T. Drotning, director of corporate social responsibility for Standard Oil Co. (Indiana) and president of NMPC.

"They arise from the economic imbalance that exists between the minority and majority populations. Business organizations are uniquely qualified to make a contribution to redressing this imbalance."

Currently, NMPC is making an effort in an area where it believes minority businessmen are particularly weak—salesmanship. It's offering them a 12-week course in basic sales training.

The course, devised by Audio-Video Concepts, Inc., of Wash-

ington, D.C., is being conducted at major corporate facilities in 27 cities.

Companies in NMPC are also providing expertise in other areas of minority firms' operations.

According to Mr. Drotning, many large companies are turning their attention to purchasing of minority-produced supplies.

"The effort is perhaps more credible," he says, "because . . . [while] it is relatively painless for a major business organization to assuage its conscience regarding social problems by donating money to charitable organizations, it is much more difficult to make basic changes in corporate operating behavior to achieve similar ends." •

A Company Celebrates Its Own Bicentennial

It has survived "wars, rumors of wars, panics and disasters innumerable," said a newspaper editorial of Bowne & Co.

That was in 1898 and today, Bowne, the oldest and largest financial printer in the United States, not only is surviving but thriving.

In 1974, a year in which many of its customers suffered through various degrees of economic ill health, the firm registered a 10 per cent increase in sales and a 30 per cent boost in earnings.

This year, it is celebrating the 200th anniversary of its founding by Robert Bowne, a Quaker who refused to take part in the violence of the Revolution but who was to contribute immensely to the future of the struggling young republic.

Along with Robert Fulton, De Witt Clinton and others, he conceived of the Erie Canal and pushed it through to completion. Joined by Alexander Hamilton and 10 other prominent New Yorkers, he organized the city's first bank, the Bank of New York, and issued what is considered the first

U.S. bond ever sold. And, among other activities, he helped establish a "free school" which was the beginning of New York's public education system.

In most of its early years, Bowne & Co. specialized in stationery supplies as well as commercial printing. It won a gold medal for its exhibit of leather-bound account books at the nation's first world's fair in 1853.

In the early 1900s, it broadened its activity to include the printing of offering circulars distributed by New York's stock and bond underwriters. The business boom and speculative fever of the '20s spurred Bowne's financial printing output. But it was the Securities and Exchange Act of 1933 that gave the firm its biggest boost. Its experience with the underwriting community put it squarely in the path of accelerating demand for financial printing.

While such printing is Bowne's major activity today, it's also in corporate and commercial printing, and computer time sharing. It has plants in a number of cities.



Bowne moved into these quarters after an 1835 fire swept midtown Manhattan.

If Robert Bowne could return he might be surprised to learn that his business, though it has grown immensely, no longer sells some of the same products. One of his early newspaper advertisements read:

"Bowne & Co., newly established at No. 39 Queen Street, has for sale writing paper, English and American; account books; quills and pens; binding and printing materials; bolting cloths; powder, furs, nails, glass and dry goods; pitch pine boards; and a few casks of low-priced cutlery." •

They're Saying It With Music

Some American businesses will use music to salute the nation's 200th birthday.

This spring, for example, the J.C. Penney Co. will distribute a package of bicentennial music to every high school and college band, orchestra and chorus in the United States.

The Penney package consists of 70 minutes of specially arranged works recaptured from America's past and 30 minutes of new works of four contemporary U.S. composers. Music for rock and jazz groups is included.

"There are 1,640 J.C. Penney stores throughout the country and each is part of its community in a very real sense," says Donald V. Seibert, board chairman of the giant retail firm. "We know that in most of



J.C. Penney Chairman Donald Seibert, whose career began as a shoe salesman in a Penney store in Bradford, Pa.

these communities, more young people take part in school music programs than any other single school activity. They have a big adult audience, too. Those young men and women are going to be very much involved in the bicentennial, and it seemed to us they would find this unique collection of historical and new music helpful and enjoyable."

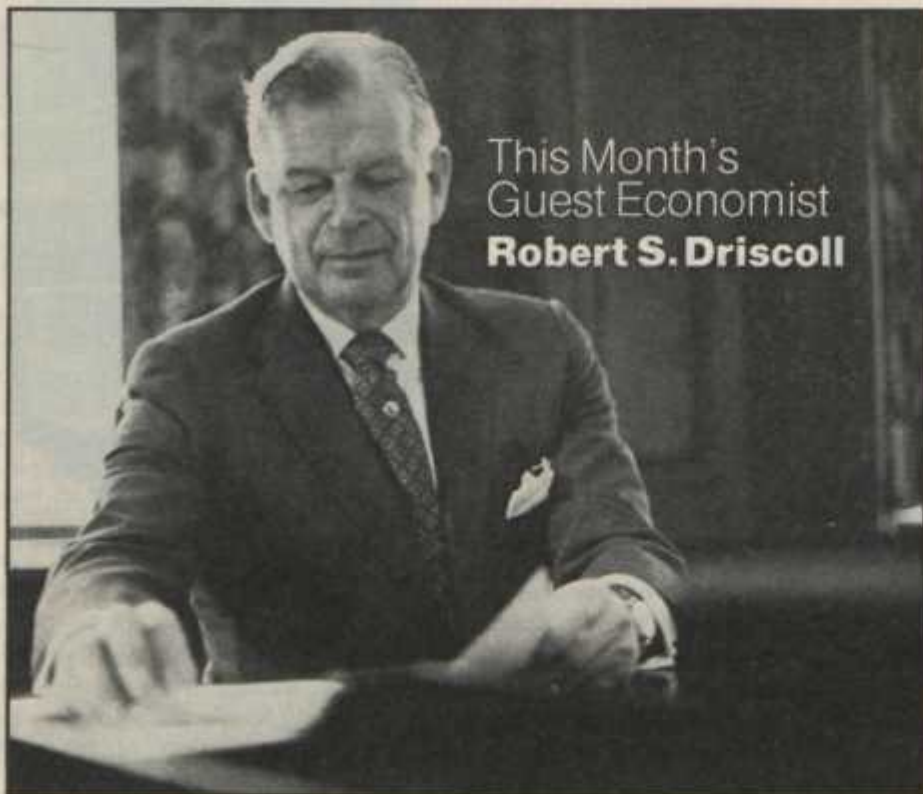
Mr. Seibert estimates some 4.5 million students are members of high school bands, orchestras and choral groups. Additionally, millions of older Americans are school band "alum-

ni"—among them Mr. Seibert, who played clarinet.

Penney has been given a certificate of recognition by the American Revolution Bicentennial Administration for what it calls the first bicentennial musical program created and contributed by a business.

Meanwhile, the Prudential Insurance Co. of America has struck a different—and yet similar—note. It has awarded Washington's John F. Kennedy Center for the Performing Arts a \$163,000 grant to produce a "cavalcade" of historic music for the 1976 observance.

The musical cavalcade will be staged some time this year, which also marks the centennial of Prudential. But a company spokesman stresses: "This is not an investment for the company. It's an investment in backing the importance of the bicentennial." •



This Month's
Guest Economist
Robert S. Driscoll

Mr. Driscoll is managing partner of the New York investment management firm, Lord, Abett & Co., and president of its four mutual funds. The firm has \$1.3 billion under management.

A Cure for Shortages

One of the essential facts of our age is that we have many serious shortages of supply. Some are world-wide and involve major, capital-consuming basic industries including steel, paper, cement, chemicals and oil.

Such shortages develop because the market pricing system is short-circuited and prevented from functioning. In a free market, the price of a product in short supply will rise until some buyers drop out of the market and supply equals demand. If demand continues, prices and profitability will increase, thereby encouraging the building of new capacity.

The existence of serious shortages indicates interference with the market pricing system over a long period, leading to inadequate supplies which will not support the economy's potential rate of growth.

Take the natural gas industry, where interstate sales are regulated

by the Federal Power Commission. In 1970, the average price of oil at the wellhead was \$3.18 per thousand cubic feet, while the comparable price of natural gas was \$.171.

Translating these selling prices into prices of equivalent B.T.U.'s for the two fuels, we find that gas, under its controlled price, offered three times as many B.T.U.'s per dollar as oil.

The effects of this interference with the market pricing system have been stimulation of demand and slowdown in supply. For example, in 1964 the annual gross addition to U.S. natural gas reserves was 20.25 trillion cubic feet and in 1973 it was 6.83. Annual net production in 1964 was 15.35 trillion cubic feet and in 1973 it was 22.61. Net proved reserves remaining: 1964, 281.25 trillion cubic feet; 1973, 249.95.

These statistics imply:

1. The low cost per heating value has stimulated consumption, while low wellhead prices have discouraged exploration for new reserves.
2. An extrapolation of this trend would result in the exhaustion of reserves and ultimately create shortages which would prove very costly to the consumer.

Inadequate supply cannot be cured by government action to stimulate additional demand. That will only make shortages worse and accelerate the inflation that accompanies them.

The cure for inadequate supply is saving and investment. The economy's growth must be directed away from consumption of goods and services, and toward increased productive capacity.

A tentative estimate of the amount of capital required over the next decade to fill the gap in materials needed by our economy is \$2 trillion—an average, obviously, of \$200 billion in new capital each year.

Some of this capital will come from depreciation and depletion allowances and some from corporate saving. More will come from pension funds and other institutional investors and from commercial banks. Hopefully, fair arrangements with Arab and other members of the Organization of Petroleum Exporting Countries will result in their investment in our basic industries. Even with all this foreign and institutional capital available, savings and investment in securities by individuals will be urgently needed to provide the rest of our capital requirements.

In an inflationary economy, profits are overstated because costs are understated.

For example, manufacturing plants wear out. Depreciation allowances are designed to replace a plant over its useful life. But if depreciation is calculated on the plant's cost 20 years ago, it will not produce sufficient funds to replace the worn-out plant at today's higher prices. Thus, to the extent that the real cost of physical asset consumption is under-

charged, the shortfall is stated as profit. As a result, profits are inflated.

If the profits of all nonfinancial corporations are adjusted for the effects of inflation, say in 1965 dollars, they drop from \$36.1 billion in 1965 to \$18.6 billion in 1973. Adjusted retained earnings drop from \$19.2 billion in 1965 to \$2.1 billion in 1973. These figures are quoted from a study by George Terborgh, a distinguished Machinery & Allied Products Institute economist. It shows that profits on a real accounting basis have been declining for some years.

The decline in profitability in real accounting terms has probably been most severe in the case of public utilities. One of the great failures of management in that industry is its lack of success in making the public

understand its financial problems. This is discouraging, especially when it induces talk of public ownership—an almost certain path to higher costs of operation.

Improving the profit outlook on a real accounting basis is a step which many businesses must take before they can develop the ability to attract the huge amount of new capital necessary to relieve shortages.

To preserve sound capitalization in corporations, it is necessary for them to raise equity capital as well as to issue more debt securities. Today, of course, the equity market is in the doldrums and needs revitalization.

While such a revival may depend primarily on less inflation and lower interest rates, a sense of social responsibility can help. Americans are used to playing the game of "level

upmanship"—workers have to get at least the same increase as the last group that received one. We ought to realize that there is no free lunch. Real gains come only from increasing productivity.

Productivity can be improved by encouraging invention and new technology. It can also be helped by improved arrangements with raw-material-producing countries that are fair to both buyer and seller. Finally, it can be helped by a monetary system providing some flexibility in exchange rates, disciplined by the use of gold and supported by an agreement among all member nations not to raise or depress exchange rates artificially.

All these would go a long way toward creating the market environment we need to solve our problems.

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Times getting you down? Try out two-way radio. Especially Johnson radio. And the versatile, low-priced, right for the times Ultracom radio in particular. Just fill out and mail in this coupon. We'll contact you and show you how radio can "save" your business. Your reply card will enter you in a drawing to win one of 10 pouches full of 100 real silver quarters.* You see, 75 cents a day is all it costs to lease an Ultracom radio and make your business bustle again.



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LETTERS TO THE EDITOR

Grappling With Cost-Push

• Your various articles in recent issues on combating inflation were all very good and I compliment you on publishing them. Most of them stress sound monetary and fiscal policies, and increasing productivity. These are worthy objectives but they do not seem to come to grips with the problem of controlling cost-push inflation.

There is no way to lower prices or even hold them steady if we give labor all the rewards of increased productivity, plus even more. Labor contends it is negotiating catch-up wage increases, but a three-year contract with built-in pay raises each year is certainly not a catch-up arrangement.

Secondly, most workers are not working any harder this year than last year. If they produce more units this year than last, it is due to new equipment provided by management.

I see no hope of our controlling inflation until we adopt a policy of improving the consumer's buying power by passing on the rewards of increased productivity in the form of lower prices.

RUSSELL G. FLAHER

Vice President
Correspondent Department
Central National Bank & Trust Co.
Des Moines, Iowa

The Constitution and Russia

• On a recent trip to visit relatives in Russia, I carried for reading material your July issue, which contained the text of the U.S. Constitution. Because of bureaucratic bungling, we were unable to visit my relatives in their home but, after considerable difficulty, they received permission to visit us at our hotel. While awaiting their arrival, I read the Constitution—which I considered appropriate, in view of my location.

You will never know the pride it gave me to read that document once again, when I could look out the window at captive people. One must experience the feeling of being in a police state to fully appreciate the freedoms of America. It saddened me

to think how ungrateful, unforgiving and greedy we have become.

I don't believe our people will realize how privileged we are until it is too late and we have lost all the freedom we have.

There is not enough space to convey the feeling of imprisonment we felt in just five days of visiting in Russia.

My father and mother fled that country and by doing so gave me an opportunity in life. But that opportunity may only be a dream if we do not recognize the greatness of America and quit tearing it down.

NORMAN C. BITTER, D.D.S.

Fremont, Calif.

Hailed by the chief

• I can't recall being featured on the cover of a national magazine before, so I was especially honored to see myself on the NATION'S BUSINESS cover [December].

Your fine article ["What's Most Wanted by the New FBI Chief"] and excellent photographs were well-received here at FBI headquarters. I want to express my appreciation for your objective, factual reporting. This article should go a long way toward helping your readers understand the FBI and the problems we face today.

CLARENCE M. KELLEY

Director
Federal Bureau of Investigation
Washington, D.C.

Keeping us posted

• Re the editorial in your November issue ["Two Important Words"] telling your readers to blame the U.S. Postal Service if their copies were "delayed in the mail past Nov. 5."

Actually, the magazines were not mailed in sufficient time to permit delivery by Nov. 5.

Your Chicago-based printer did not mail them until Nov. 5 or later, with the exception of one area's mailing, which was on Nov. 4.

ROBERT V. HOOBING

Director, Communications
Eastern Region, U.S. Postal Service
Philadelphia, Pa.

How do you choose between good schools for your kids and a stable tax structure for your company?

The family man.

The plant relocation decision. It takes a normal, well-adjusted executive and splits his personality right down the middle.

The "hard-facts" businessman vs. the "lifestyle-is-important" family man.

And an increasing number of companies relocating to Pennsylvania give "family living" as a major reason. Especially education.

Pennsylvania has many of the nation's most prestigious universities and secondary schools. 151 colleges attended by almost half a million students. 632 laboratories in state-supported institutions and private industry. Every industrial site is within a few miles of a center of advanced studies. Your employees, and your family will never have to stop learning.

For businessmen who are also family men—Pennsylvania is the logical choice.

The businessman.

"Sure I want good schools, but I can't bring my company to a place that's going to skyrocket taxes to pay for them."

Good point. You'll be happy to know that Pennsylvania has a stable tax structure.

Stable because Pennsylvania has already had and solved the kind of financial crisis that is only now beginning to hit other states.

Deficits have been cut; the budget is balanced. Waste and unnecessary spending have been eliminated. Yet, without slighting education, transportation and other vital services.

And because our schools, roads and other services are already well-developed, our rates are likely to remain stable.

For family men who are also businessmen—Pennsylvania is the logical choice.



Governor Milton J. Shapp:

"Pennsylvania is a state where the businessman can have a flourishing business without sacrificing a well-rounded human environment for his family. We want your business and your family in Pennsylvania."

Pennsylvania.

For complete information write or call John J. O'Connor, Secretary of Commerce, Commonwealth of Pennsylvania, Suite 425NB, South Office Building, Harrisburg, Pennsylvania 17120. (717) 787-3003.

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Congratulations!
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From 1 to 11

From 12 to 26

From 27 to 46

From 47 to 70

From 71 to 98

**Hand dries
saved**

15 inches =
1 hand dry

Measure your roll towel leftovers and see how many hand-dries you can save with the new Commander ITM Cabinet.



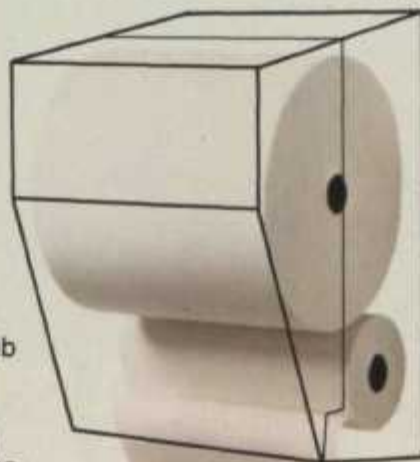
You may be throwing away as much as 25% of what you spend on roll towels in "stub rolls," the leftover towels your maintenance man finds when he refills the cabinets.

When he finds a stub roll, he can leave it in the cabinet and hope it doesn't run out. Or, he can remove the stub roll and put in a fresh roll. If he removes it, you may be wasting as much as 25% of the roll towels you buy.

Now use almost every inch of the towels you buy.

Fort Howard's new Commander I Cabinet lets you load a new 625-foot roll of towels while

the stub roll—up to 3½ inches in diameter—is still being used. After the stub roll is used up, towels from the new roll start dispensing automatically. So you use almost every inch of towels you buy.



And because you can get up to 755 lineal feet of uninterrupted towel service, the Commander I can lessen the chance of run-outs and may help reduce your maintenance costs—by requiring fewer refills than single-roll cabinets.

If you'd like to see how our new Commander I Cabinet can help you reduce roll towel waste and provide more uninterrupted towel service, write

us on your business letterhead. We'll send one of our sales representatives over with a sample cabinet and a Commander I Savings Scale to show you how much you can save.

You have nothing to lose but your stub roll waste.



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We put paper to work for you.



J. Henry Smith of Equitable Life

A welcome for change

When J. Henry Smith was growing up, his family moved just about every three years as his Methodist-minister father was given new assignments in small communities of the Delmarva Peninsula of Delaware, Maryland and Virginia.

This experience gave him an ingrained belief that change is not to be feared—a philosophy he's tried to instill in others during a career in the life insurance business that has spanned 45 years, 37 of them with The Equitable Life Assurance Society of the United States.

Mr. Smith, who today is The Equitable's top executive, is one businessman who started out with a completely different career in mind.

He graduated from college, with a bachelor's degree in mathematics, intending to become a teacher. But this was in 1930—Depression time—and there was no demand for a novice instructor in the classroom. So he got a job, at \$1,500 a year, at The Equitable's headquarters in New York City.

A man who says personal ambition

has "never meant very much to me," he then set out on a course which led to improvement after improvement of his lot—and of the company's.

Mr. Smith decided to become an actuary, taking courses and exams after working hours. It took many years and he says today that he regrets not having "tried harder" to get it over with more quickly. (Once, he was told to take a course a second time. His instructor, a moonlighting Equitable executive, said he hadn't "paid enough attention to detail"—an episode that can send close associates into guffaws when it's mentioned today, because they know Mr. Smith as a manager who seems to have grasped all details of any problem.)

After filling various posts in The Equitable's group department until 1935, Mr. Smith switched to a rival firm, The Travelers Insurance Co., where he spent seven years. Then he returned to The Equitable, where he became a vice president in 1953, a director in 1966, president in 1967, chief executive officer in 1969, and chairman and chief executive officer in 1973.

His career at the company has covered the full range of management chores there, including personnel;

underwriting; actuarial work; health, group and individual life insurance operations; and investments.

His contributions to the company have covered a wide range, too, including the launching of comprehensive career development programs emphasizing early spotting of employees with high potential; expansion of use of computer technology for policyholder service; and entry into such new fields as variable life insurance.

The Equitable has grown in assets, year in and year out, and is now a \$17.2-billion giant.

More important to Mr. Smith, perhaps, than his company's growth is the fact that his industry has come to look at itself in terms of the society in which it functions—that it has become "involved," and has assumed, along with most of business, corporate social responsibility as a way of life.

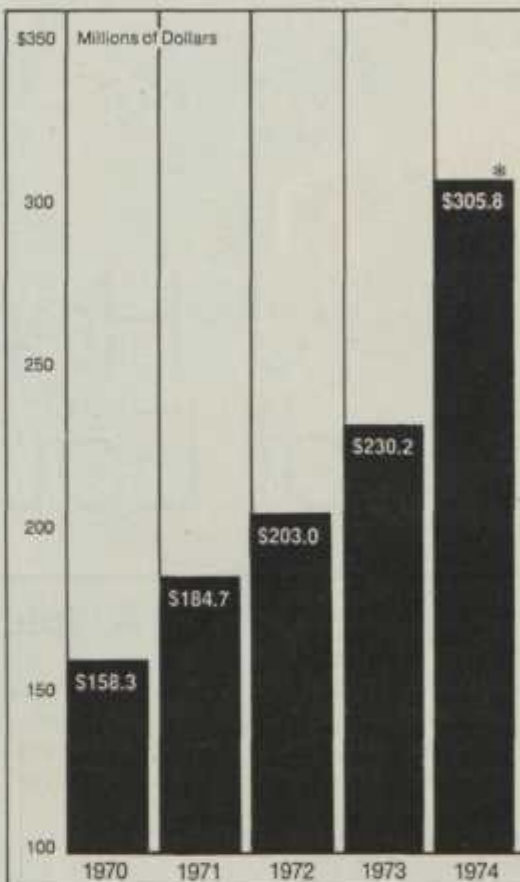
Mr. Smith, "Henry" to Equitable's executives (no one ever calls him James, which is what the J stands for) is a quiet, quick man who takes a deep interest in people—in his company, which has 13,000 employees plus an agency force of 7,500; in the community where he spends nonworking hours; and in the

Calculators such as these ancient models collected by Mr. Smith were once standard insurance tools.

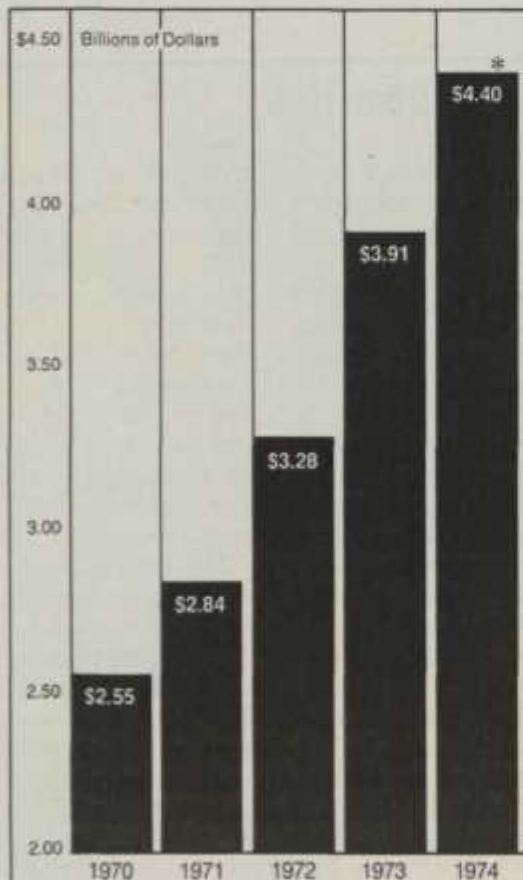
1974 performance continues

Net income up 93.2% to \$305.8 million

Tenneco's net income (earnings before preferred and preference stock dividends) rose from \$158.3 million in 1970 to \$305.8 million in the 12 months ended June 30, 1974, an increase of \$147.5 million or 93.2%.



* 12 months ended June 30, 1974



* 12 months ended June 30, 1974

Revenues up 72.5% to \$4.4 billion

Tenneco's operating revenues rose from \$2.55 billion in 1970 to \$4.40 billion in the 12 months ended June 30, 1974, an increase of \$1.85 billion or 72.5%. Furthermore, revenue gains were posted by all 8 major divisions in each of the periods.

"Not only do we see 1974 as a record year across the board," state Chairman N. W. Freeman and President W. E. Scott, "but the strong momentum now being generated should carry over well into 1975."

Our principal growth force in the '70's has been internal, reflecting a broad capital investment program.

The company is building a strong financial base to take advantage of opportunities in the years ahead, particularly in the area of energy, but also in the areas

of agriculture, chemicals, packaging and manufacturing.

Right now, all eight of our divisions would rate as substantial companies if they were on their own. Six would be in the Fortune 500 list. And five would rank among the top ten companies in their industries.

Professionals are referred to Tenneco's financial analysts' yearbook for further information. If you'd like to be on our list for our 1974 Annual Report, write to us: Tenneco Inc., Houston, Texas 77001 Dept. N. B.

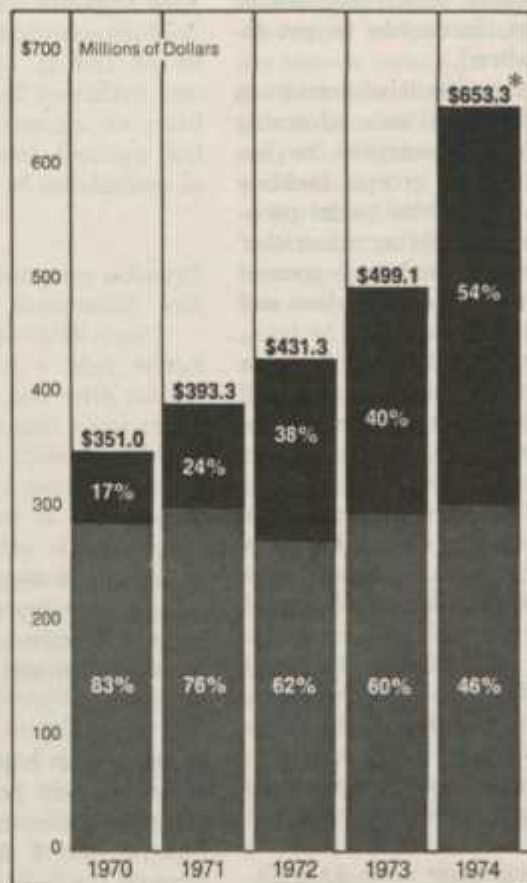


record 5-year trend.

Cash flow up 86% to \$653 million

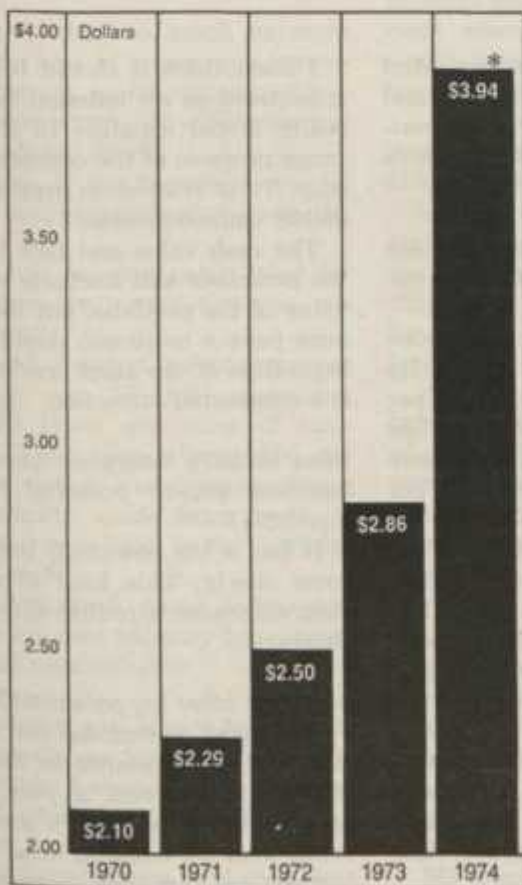
Tenneco's cash flow has grown from \$351 million in 1970 to an annual rate of \$653 million in the 12 months ended June 30, 1974, an increase of \$302 million or 86%.

While cash flow almost doubled, internally generated funds available for reinvestment increased nearly five times over the period. Thus, Tenneco is generating more and more of its capital investment needs internally, thereby reducing the proportion needed from external financing.



*12 months ended June 30, 1974

Available for Reinvestment in Company Dividends and Security Retirement



*12 months ended June 30, 1974

Earnings per share up 87.6% to \$3.94

During the 70's, earnings per share increased from \$2.10 in 1970 to \$3.94 in the 12 months ended June 30, 1974. During the same period, average shares outstanding went from 58.4 to 68.2 million, an increase of 16.8%. And in the third quarter of 1974, the common stock dividend rate was increased for the third time since 1970 to an annual rate of \$1.60 per share, yielding over 8.8% based on the September average market price.

TENNECO CHEMICALS ☐ TENNESSEE GAS TRANSMISSION ☐ TENNECO OIL ☐ PACKAGING CORP. OF AMERICA ☐
TENNECO REALTY ☐ J I CASE ☐ WALKER MANUFACTURING ☐ NEWPORT NEWS SHIPBUILDING ☐

Tenneco

J. Henry Smith

continued

enormous community where he works.

He commutes to New York from Maplewood, N.J., where he and his wife live (his three sons and daughter are grown, and scattered—so that the whole family, which includes 10 grandchildren, is unable to get together very often).

From his company headquarters in one of mid-Manhattan's gleaming glass and steel skyscrapers, he has gotten involved in groups tackling many of the metropolis' social problems—problems involving minorities' special difficulties, and such general issues as the quality of education and the increase of crime.

His own company is not immune from social problems, of course, and he has been active on that front, too. He has, for example, fostered a successful program to combat drug abuse among employees, a program in which clinics and counseling have been made available, without threat of loss of jobs, to those who need help.

Mr. Smith will retire as The Equitable's top officer in March when he is 65. In this interview with a *NATION'S BUSINESS* editor in his 37th floor office, he reflects on his career and business philosophy.

What do you consider your most difficult problem as a chief executive, in this time of inflation and recession?

The life insurance business faces a different set of conditions from those of industrial corporations or even of many financial institutions. It seems to be able to go along at a fairly even pace when times are poor and it does not skyrocket when times are really good, the way industrial business does. It's a pretty steady business. It takes a long period of economic decline to have much impact on life companies' business. Problems are more long-range than short-range.

I think our chief problem is in the manpower field: How can we develop and sustain a strong and competent and professionalized sales force? And in the investment side of the business. Our investments used to be bonds and some mortgages. Today we are all over the place. We are heavily in stocks. We own a lot of real estate. We manage a real estate investment trust. We are on the verge



The Equitable's chairman has tried a number of hobbies, now thinks he may stick with his latest—wood carving.

of owning a leasing company. And we are still very strong in bonds and have a tremendous mortgage portfolio. We invest about \$2 billion a year.

In this time of high interest rates, are loans to which policyholders are entitled a problem for you?

A bit, but I think we have gone through the hardest part of that. By law we can charge only 5 or 6 per cent in many states, and that's low interest today. For a time, loans were running about four times normal, but they have leveled off.

They now equal less than 10 per cent of our total investment funds, and they are good, safe loans. The interest may be low, but these loans don't kill you. They merely impair earnings somewhat.

You said in 1972, when inflation was about 4.2 per cent a year, that it was the most serious problem the nation faced. How do you feel about it now that it is double-digit?

I still believe it's the most serious problem. For our business, the big question is: Will prolonged inflation reduce confidence in life insurance and people's satisfaction with it? So far, it hasn't.

Is variable life insurance a hedge against inflation?

I don't think it should be sold or considered as an inflation hedge. It really is participation in the long-range progress of the country's economy. It is related to equities, primarily common stocks.

The cash value and face value of the insurance will fluctuate with the value of the portfolio, but the insurance pays a minimum death benefit regardless of the stock market. This is a substantial attraction.

Does variable insurance have major business growth potential for The Equitable?

It has a big potential, but it will come slowly. This kind of product does not cause a prairie fire of purchasing.

Are there other big potentials?

We expect to increase our sales of standard life insurance in the range of 9 to 14 per cent a year, as we have done lately. That's something better than the inflation rate.

Also, we are big operators in health insurance, and anticipate growth there. Perhaps we will take more and more part in the delivery of health care, rather than simply financing it.

How?

By setting up HMO's—health maintenance organizations—and fos-

tering other experiments in health care delivery.

Another big potential is in the pension plan area. This is a big operation for us now, and should continue to grow.

How do you feel about national health insurance?

Oh, I think national health insurance will come. Right now, Congress is having a terrible time making up its mind which philosophy to adopt.

I hope it will get this issue settled in a form which will guarantee that the poor have better facilities than they now have, but which will give private enterprise—private insurance organizations—the opportunity to continue to develop, with ingenuity and innovation, health insurance coverage for the bulk of the people.

You don't hear so much anymore about the idea of a company assuming corporate social responsibility—an area in which The Equitable has been a leader. Why?

Because it has become a way of life for business, instead of a novelty.

Would you say the same thing for the concept of protecting the environment?

I would. I was at a conference not long ago with 55 chief executives, from all types and sizes of businesses. There was almost 100 per cent conviction that business has a responsibility, aside from profit, in the social area and in the environmental area.

I'm particularly proud, by the way, of how my own industry has accepted social responsibility.

Your original goal was to be a teacher. When did you lose that ambition?

I thought I wanted to be a teacher when I graduated from college. But that was in 1930, when jobs were beginning to get scarce, and there just weren't any teaching openings around. I was fortunate to get a job with The Equitable at \$1,500 a year.

A few months later I did get an offer of a teaching fellowship from my school, the University of Delaware, but they offered only \$925 a year. I was going to be married, so I gave up my ambition to be a teacher.

I sometimes wonder if I would have made a good one.

Isn't a chief executive a teacher to some degree?

Yes, but in a very different way. It is not an open and obvious student-teacher relationship. It has to be more subtle. A chief executive certainly has an opportunity to mold people and help them develop, and there's a great deal of satisfaction in that.

What made you become an actuary? Were you always fascinated with mathematics? The purity of logic?

I guess so. I had a high school teacher who was in love with mathematics and I just caught some of his enthusiasm. I had a college professor who filled me with a sense of beauty in math and a sense of accomplishment when I'd done something. I would have to say teachers had a tremendous influence on me.

And you feel that you have had an influence on some people?

At this stage, I'm willing to assume so. I hope so. I think one of the really important phases of fulfillment in life is to feel that you have made a lasting impact of some kind.

However, it's wonderful how quickly a company adjusts to the absence of an indispensable person, and I'm quite inured to the idea that a few years from now most people here won't remember me. That's the way life is.

You've always been pretty keen on moving your executives around in your company, haven't you?

Yes. We've tried to encourage mobility laterally as well as vertically.

What's the theory behind that?

A broader point of view develops. My own career, I think, was assisted a good deal by a fair amount of shifting around—including, by the way, a period of years when I left The Equitable and went with another company, Travelers Insurance. This gave me a broader outlook on business as well as life.

Also, I think the kind of training I had as an actuary made me realize

that the more things you get into, the more capable you are likely to become. The training of an actuary is very broad. He has to study, not just math, but a smattering of law. He learns about sales organizations, investments and economics. Actuaries are strewn around in management in the insurance business. In large part, this is because they are exposed to a very wide variety of subjects and responsibilities.

We also find that a good man who is put into a job where he has had no experience can often bring to that job a very effective set of changes. A point of view develops that gets the organization out of a rut sometimes. A good manager does not have to know much about the job when he moves into it.

Then you lean toward the flexible executive?

Absolutely. I lean toward people of general capacity—and also of character and integrity. Those are the characteristics that usually have guided me in making choices for executive assignments.

Do you think that a person who has these characteristics can manage just about anything?

Yes. I guess there is another characteristic I should mention. A person needs the ability to get along with people if he is to manage.

You have said one man can't do it all—manage it all.

Every chief executive has to develop his own style. I can understand a strong-minded, highly self-confident and capable fellow taking the reins and being pretty much of an autocrat. If you can do that you may be able to drive a company much farther and faster than those of us who can't.

I'm just not built that way. I've always felt that I—and probably the company or the group that I was managing—could do much better using a team approach. I guess I came along at the time when the so-called participatory management theory was acquiring its reputation and I just happened to fit in, since that's the normal way I feel about things.

It's worked pretty well here, but

J. Henry Smith *continued*

whether it should be continued indefinitely is a good question. If some future successor of mine is more of an autocrat, it might be a good thing for the company.

One can go to an excess in any direction. There is a danger of becoming a committee-ized management. I intend to avoid that in making decisions, but I always try to involve people who are going to have to carry out the decision. I take into account the practical viewpoints of the operating team.

You believe it's bad for a company to be locked into one style of management?

Over a long period, a company could get into something of a rut. If I were to dictate the kind of manager this company would have for 30 years or so, I'd organize two or three different styles over that period.

A lot of people don't like change. I guess the early upbringing I had, when we moved about from town to town every three years or so, got me accustomed to change.

I often wonder why people resist change. I don't like being anchored to one principle or one style.

If an executive is afraid of something merely because it's new or different, it can kill him. Everybody accommodates to change in everyday living. In business, you must look for it and encourage it.

Equitable is noted for some unusual and successful employee programs. How did the drug abuse program get started?

We had a period where the drug problem was a serious one for us as a company.

The extent of the drug use hit us pretty hard. We found people in our washrooms—our own employees—in comas. Our medical people found any number of youngsters who were obviously drug users on the job. Our lobby is a wide-open public area and it was obviously being used by drug pushers.

Our employee group, particularly our more mature people, were extremely upset about this. They welcomed any kind of move toward dealing with the problem. I think our younger people did, too, especially

since our program was set up to be humane and constructive rather than simply punitive.

But we had to introduce some punitive action, too. We took on an undercover policeman who came in and posed as an employee for a while. He uncovered four drug pushers in our lobby—three were on our payroll and the other one had been. We fired the three and turned all four over to the law to deal with.

Fortunately, the wave of drug use has died down. I think the program gave reassurance to many of our employees about our attitudes. It was patterned after our alcoholism program, which had been in existence for years.

You were speaking of executive decisions earlier. All in all, do you find them hard to make?

Oh, I find most decisions almost make themselves if you've given the underlying fact enough attention. Generally, there are different courses of action you can take and you have a choice. If you examine them closely you almost automatically find yourself choosing one or the other without having to say to yourself: "Damn it, I have to make up my mind!"

So you don't stew about decisions you make?

Oh, no! I sleep very well at night.

What is the basic motivation of the young executive today?

Basic motivations haven't changed much. There's always the motivation of self-fulfillment—desiring to establish a good reputation, a good record, a good life, a sense of having done your duty and your bit by your loved ones.

There's a sense of loyalty, in addition. However, I think this may have changed some in direction.

Instead of a feeling of loyalty just to an institution, people are tending to feel a sense of loyalty to the whole human race. I believe there is the increasing sense that if your company is doing the wrong thing by the human race, you ought to try to change what it is doing. There is more of that feeling today than there ever was before, and this is a very good development.

Is there more criticism of business today than ever before?

There is criticism of everything today. We are living through an age of cynicism and criticism, and the tendency is to ferret out and emphasize the weaknesses of everybody and everything.

I don't believe business has suffered more in this than the church, or government or education.

You're going to retire soon. Do you have any plans for the future?

I haven't made up my mind just what I will do. I'm not all that anxious to hurry into anything.

There will be plenty of activities I can pick up. I think I'll want something to do of a demanding nature to fill up a good part of the time, but not all of the time.

I like to play golf, but I'm no good at it. I'm going to give it one more year and if I don't get any better, I'm going to give up the damned game. I am often reminded of the fellow who said he'd played golf for 30 years and hated every minute of it!

If you had to do it over, is there anything in your career you'd do differently?

Perhaps the only thing would be to study harder to get through the actuarial exams earlier. That's not a very good answer. But I never had a well-charted career path, and I wouldn't change that.

I never had a sense of: "I must be at a certain point by a certain time."

My whole motivation has been: "Let's get this job done that is right here in front of me, and then meet the challenge of tomorrow."

As far as personal ambition and so on, those things have never meant much to me. All I've wanted to do was to see if I couldn't do my very best. END

REPRINTS of "Lessons of Leadership: Part CXVII—J. Henry Smith of Equitable Life" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

WICHITA



This is the type of image Wichita wants as it moves ahead in its second 100 years. The circular civic center, Century II, is the anchor for a revitalized downtown.

Flying high— on more than planes

If you look out the broad picture windows of the Plaza Club atop the skyscraper Holiday Inn in Garvey Center, you can see just about everything that went into the making of Kansas' largest city: tracks that spear out into the flat prairie from huge railroad yards; columns of grain elevators; packing plants; oil tanks; twin rivers and, high in the sky,

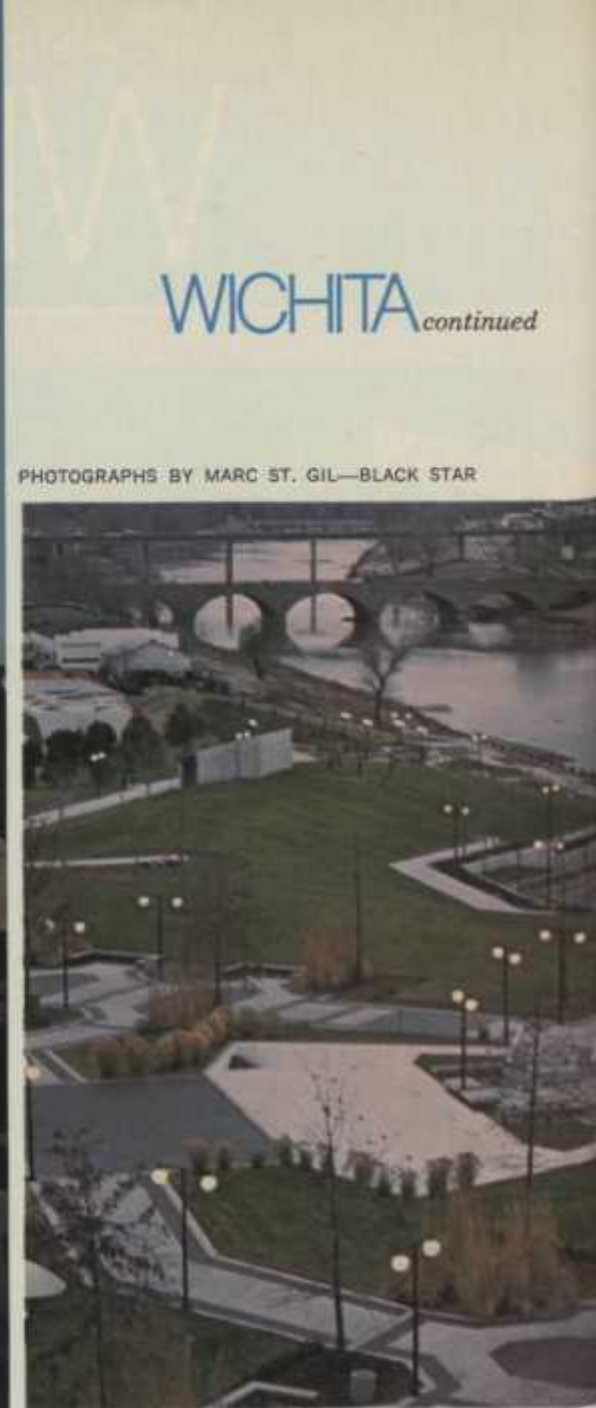
dozens of lazily circling airplanes.

What you won't see is any trace of an industry that some people in Wichita, wincing, still remember as one that was going to be a new kingdom in an empire of agriculture, oil and manufacturing (especially manufacturing of airplanes).

This industry was Rajah's Rabbits, the brainchild of Rajah Por-

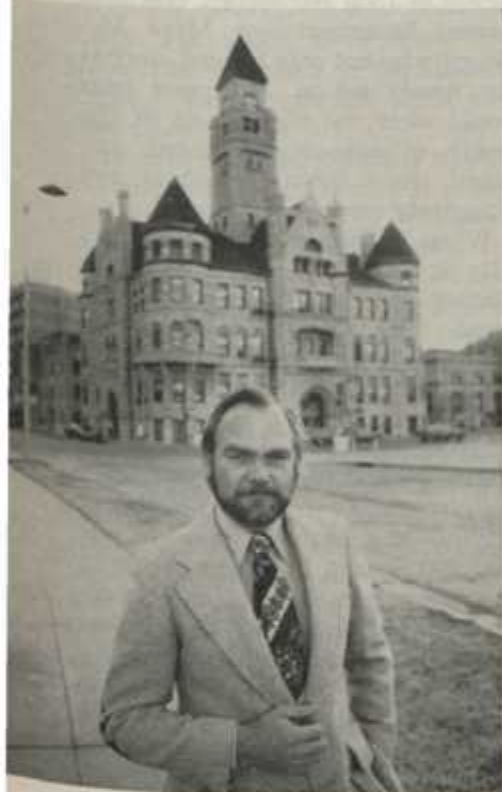


The Wichita that was—in the beginning—is fondly preserved as a historic area (right, below). But the city today looks more to the future, as exemplified by Garvey Center (above), which is dominated by this skyscraper Holiday Inn. The big downtown complex includes office buildings, boutiques, a \$2.6 million library and spacious parks (right, above).



WICHITA *continued*

PHOTOGRAPHS BY MARC ST. GIL—BLACK STAR



Mayor Garry Porter, in front of the city hall, which will be replaced by one being built. The old structure will be kept both for sentiment's sake and new uses.

these days, for it is riding an economic crest at a time when a large part of the nation is worrying that recession just might turn into depression.

Good times in the economic sense haven't always been Wichita's lot. Ever since it officially came into being in 1870, the city has ridden a roller coaster of boom and bust every decade or so. Maybe the weather hit the wheat crop, or the price of oil plunged. Or the aircraft industry went into a tailspin (that happened last in 1970-71 and almost overnight, local membership in the International Machinists Union dropped from 19,000 to 5,000).

"You might say that 1970 really did it," says Mayor Garry Porter, a psychiatrist who entered politics in anger over a decision by a conservative city commission to ban "Hair," the rock musical.

"The businessmen of this town and the city officials decided they'd better really get cracking to diversify the economy—get more industry in here so we'd have a better base."

Building a better base is just about the story of Wichita, and of the people who have made it what it is—the settlers who came to farm the fertile prairie, of course, but especially the businessmen. For Wichita began as an Indian trading post and has always been a business center.

Hundreds of American cities similarly owe so much of their growth to the business community. And as the nation goes into its bicentennial era and thinks of its history, much of that history is embodied in cities such as Wichita. It is for this reason that *NATION'S BUSINESS* is saluting a sampling of these cities.

Gordon Evans, chairman of the Kansas Gas & Electric Co., says Wichita had "no natural reason to exist. There was no discovery of gold

or other valuable minerals, for example. It grew because it had imaginative and aggressive business leaders who set about to make growth happen. And succeeded."

False trail for Chisholm

Mr. Evans is right. Nobody discovered gold at Wichita. But it was a hint that the precious metal might be present that caused a group in St. Louis to hire Jesse Chisholm in 1836 to lead an expedition to the junction of the Big and Little Arkansas rivers. An old map of the Louisiana Purchase noted a "gold mine" there.

Chisholm, a storied half-breed Indian scout and trader who pioneered a trail from Texas to Abilene, Kans., over which ranchers brought up herds of longhorns, didn't find any mine. But he did eventually bring in bands of Wichita Indians from Oklahoma to settle by the rivers so they could be under Union protection during the Civil War. This is where Wichita gets its name. Appropriately, it's an Indian word for merging rivers.

Chisholm later set up a trading post, as did three other traders, James R. Mead, William Mathewson and William (Dutch Bill) Greiffenstein.

There's a story that the reason Douglas Avenue, one of the city's principal arteries, is so wide is that Greiffenstein laid it out that way in case troops wanted to use it as a drill ground—as they did a street in his hometown in Europe. Another version is that he wanted a street wide enough so a wagon could turn around in it. And another that what really happened was that he stretched a rope out to mark the width, it rained during the night, and the rope stretched.

As a matter of fact, there are two or three different versions to a lot of

ter, who if not exactly a flimflam man was certainly a persuasive dreamer who left town in 1925 after selling a goodly number of citizens (some say hundreds, others thousands) the idea that Wichita could be the white rabbit furrier to the nation's women and titillate gourmet appetites in Chicago by offering the meat of hundreds of thousands of inexpensive-to-raise bunnies for dinner tables.

"If anyone in this town ever gets too cocky, tell him to remember Rajah," is the way one who does remember puts it.

Wichita has a lot to be cocky about

stories about Wichita's past and about people in its past.

Take Wyatt Earp, who later became a legendary gunslinging U.S. marshal in Abilene. In Wichita, he was just a policeman, and "not a very good one, either," according to Arch M. O'Bryant, a *Wichita Eagle & Beacon* columnist who's been a newspaperman in the city for over

50 years. "Also, he was a gambler."

Gambling and drinking and anti-gambling and anti-drinking made Wichita's early days dime-novel stuff. (Today, you can't buy a mixed drink except at a private club where you are a "member." Dues are as low as \$2 a year. They give you a share of the club's liquor supply, but setups cost \$1.50 up.)

"Everything Goes in Wichita," read an early sign at the edge of town. "Leave your revolvers at police headquarters and get a check. Carrying concealed weapons strictly forbidden."

Carrie Nation stormed the bar at the Eaton Hotel and it was an enterprising newspaper reporter who suggested she use a hatchet in later swings at John Barleycorn. Her most fervent lieutenant was Myra McHenry, who not only banged away at any handy saloon, but years later would swat the cigaret out of the mouth of anyone she passed, and would chase down the street any woman she saw wearing lipstick.

When Wichita won out over Park City as the county seat of Sedgwick County, there was a loud outcry of fraud. Park City claimed cowboys drifting through were allowed to vote. But nobody could prove it, since the records disappeared—dumped into the river, some claim.

Though just how big a population the city could count was a matter of dispute—the first printed report was that 260 persons in Wichita voted in the county seat election—it is a matter of record that today Wichita has a population of 261,851 within city limits that encompass 93.8 square miles. It's the hub of a standard metropolitan statistical area of 374,359 people with an effective buying income of more than \$1.5 billion (\$11,978 per household).

A fitting size

"If Wichita were any bigger, it wouldn't be as good a place as it is," says Tonk Mills, a dentist who is president of the Wichita Area Chamber of Commerce. "And if it were smaller, it wouldn't have the things it has."

What Wichita has today is a roaring economy based on agriculture (mostly wheat and beef), oil and manufacturing. More importantly it has virtually pollution-free air, a temperate climate ("I can play golf on all but about 30 days a year," says Dr. Mills) and—most important of all—people who by and large are contented with life as it is.

"I can find just about everything here that interests me," says Joyce Cavarozzi, a drama instructor at



WICHITA

The 10,557 employees of Boeing who work and live in Wichita would like to thank Nation's Business for recognizing our city as one of the top places in the U.S.

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BOEING

Getting people together.

Wichita State University. "When I came here from a Big 10 school my friends on the faculty there were condescending. But in Wichita there's clean air and clean water, and I can go to a concert on the river bank and not get mugged. Who's got the better deal?"

"She came here by choice," chimes in Rick Batchelor, an arts teacher in the public schools. "I stay here by choice. I'm about three hours by plane from any place in the United States I want to go. So there are great places to visit."

By most standards, Wichita would be considered a conservative city. Its people are work-oriented, religious, proud of their accomplishments in the American tradition.

By Kansas standards, Wichita is terribly liberal, a Democratic (by a small majority) bastion in a Republican state.

"Oh, I think labels are meaningless and less," laughs Richard (Pete) Loux, an accountant who is also minority leader of the Kansas House of Representatives. "People here are interested in what people everywhere now are interested in—the pocket-book issues. And good government. Watergate made just as big an impression out here in Middle America as it did in the East. Maybe we don't make as much noise about politics, but we're just as interested."

The fact that Kansans don't believe in making a lot of noise caused attorney Mary Elizabeth Lease, a noted Kansas political activist in turn-of-the-century days, to advise farmers they "ought to raise less corn and more hell."

Doing it themselves

What Kansans believe in doing is just that—doing.

"We've hired a geologist and we're thinking of developing our own natural gas supplies," says City Manager Ralph Wulz. "It's one way of perhaps ensuring some of our industries supplies if their regular utility can't. After all, we're sitting here pretty close to some big gas fields and some of the leases are coming up for bid. We can act as a wholesaler just as well as anybody."

The city did that years ago in developing future water supplies. And

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doing something about it. **DAVIS**

WICHITA *continued*

Frank Carney, 35, a native of Wichita, started Pizza Hut, Inc., when he was 19 with his brother, Dan, and a borrowed \$600. It's now a \$250-million-sales firm with 1,800 units in the U.S. and abroad.



A. Dwight Button is chairman of Kansas' largest bank, Wichita's Fourth National. To him, "optimism, determination, pride" best describe the attitude of the city.



Dr. Tonk Mills, president of the Wichita Area Chamber of Commerce, believes the best future for Wichita is not massive growth but selected industrial expansion.



Mrs. Jo Zakas restored a group of old houses and turned them into a smart set of shops, Clifton Square. She feels small business has a big place in her town.

it took action to help business, also.

"We floated our first industrial revenue bonds in 1962," says Mr. Wulz. "Mostly up until four or five years ago, they were all to help local business expand. Since then, we and the Chamber of Commerce have co-operated to try to get a diversified base. I'd guess more than half of the \$124 million in bonds we've authorized altogether have been floated in the last three or four years, to help bring in industry."

If you have the notion that "Center City, U.S.A." (as some boosters call Wichita) is stultifying, forget it. There are few other towns where you're as apt to rub elbows in a pub with people who've just flown in from such diverse places as Kuwait, Venezuela and Las Vegas.

Because it makes some 65 per cent of all light commercial planes produced in the world, Wichita has a constant flow of visitors from around the globe. Many come to buy and learn to fly the Cessnas, Learjets and Beechcraft that constantly wing over the vast southern Kansas prairie.

Aviation has been both glamor and

bread-and-butter to Wichita for better than a half-century. Because of its flatness—and climate—the area was perfect for balloon races (and—much later—sailplane contests) and airplane shows (intrepid wing-walkers on World War I-type biplanes going all of 90 miles an hour).

But the real reason Wichita became the light aircraft manufacturing center of the nation was that men who wanted to build planes lived or came to live there.

Jacob Moellendick, an oilman, financed the organization of the Wichita Airplane Corp. in 1919. That same year William S. Burke brought E.M. (Matty) Laird and George (Buck) Weaver to the city to begin building the "Swallow" for the firm, and Lloyd C. Stearman and Walter Beech joined it in 1921.

A rival, Clyde Cessna, had built his first airplane some years earlier. In 1929, Wichita listed 11 different aircraft manufacturers and was regularly visited by such luminaries as Amelia Earhart, Charles Lindbergh, Roscoe Turner and other flying greats. Movie stars like Wallace



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Aside from the obvious fuel economy, imagine how many thousands of man-hours can be saved for your company in the coming year.

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WICHITA *continued*





Railroads, hauling wheat and flour from the big elevators, along with cattle and dressed beef, have long been part of Wichita's economic backbone. Likewise oil, and manufacturing of a variety of aircraft (on this page, clockwise: a Learjet, a crop-dusting Cessna and a Beech Bonanza). Joining these basic industries now are computer centers such as National Cash Register's (below on the opposite page).



Beery dropped in to pick up airplanes they had purchased.

Mr. Beech and other men who built the planes flew them in daredevil races to publicize not only their aircraft, but aviation as a whole. In their goggles, helmets, boots and long flying coats they cut an image Hollywood helped portray for a generation—those daring young (and not so

young) men in their flying machines.

But if Wichita was fast becoming an incubator for the world's light aircraft, it was mother to the heavy stuff, too. The Boeing plant, once Wichita's largest employer, turned out in supersecrecy the B-29 in World War II and later, the swept-wing jet B-47 and the B-52, still the nation's workhorse heavy bomber.

Today, most of Wichita's airplane manufacturing companies of the past are gone, leaving a Big Three: Beech Aircraft Corp., Cessna Aircraft Co. and Gates Learjet Corp. Boeing is still in Wichita, working on planes for the military among other things, but not making complete aircraft.

Thousands of aircraft workers who came to Wichita in World War II stayed on to work in other plants. This gave the city a highly skilled workforce and also the largest pocket of organized labor in Kansas, a "right-to-work" state.

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GO

"The pie has to grow"

Basically, the labor-business relationship is good. Will Price Jr., a former president of the Wichita Chamber, believes a reason is that "both realize the pie has to grow if there is going to be more to cut up."

Carl Courter, who heads the International Machinists Union in Wichita, thinks it would be silly for him and his members not to be concerned with the overall well-being of good, sound industry.

"You know, Kansas is probably about 20 years behind the rest of the country in terms of what it thinks about labor," he says. "I guess we're at the 'radical' stage for a lot of people."

"But the companies we deal with know that we want to give them an honest day's work—and we want for our members an honest day's pay and benefits."

Mr. Courter is chairman of the Board of Regents for Kansas colleges and universities ("A Democrat appointed me—naturally," he says with a grin). But he holds marked respect from the business community and when the energy crisis of 1973 threatened chaos for Wichita's aircraft industry, he was on the plane with the heads of the Big Three companies as they flew off to Washington to plead for sensible gasoline allocations for aviation.

"You know we haven't had but three strikes over the years," says Mr. Courter. "Had a lot of arguments. But we try to work things out for everybody's good."

The better—read: "broader"—industrial base built in Wichita in recent years includes computer instal-

We're the little oil company with big ideas.

In 1918, an enterprising, young grain trader named Jack Vickers had an idea. Find oil. He borrowed a few thousand dollars and sank a shallow well 35 miles from Wichita. And, he did it. He struck oil. With Jack's big idea, our little company was on its way.

Half a century later, we're still going strong—refining, marketing and transporting petroleum products. Today our big idea is to grow with the communities we serve. To supply our customers with the gasoline they need, when they need it. It's working, too. We're employing more people than ever. We serve nearly 1000

stations in 15 states. And, in some locations, our little company is even outselling the big fellows.

We have a lot more big ideas. Like still offering three grades of gasoline. Opening up stations where some companies are closing down. And, being as concerned about what our customers want as we are with profits.

Today, our little Wichita-based company is one of two major subsidiaries of Vickers Energy Corporation, a sub-holding company of Esmark, Inc., one of the 30 companies in the Dow Jones Industrial average.

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After more than 50 years of hard work we're only the 29th largest oil company in the nation. So, compared with the big fellows, we'll probably always be a little oil company.

But, we think our big ideas make us a great little oil company.



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lations, as well as diversified manufacturing. However, local business leaders point out it has long been a mistake to consider their city just a place where aircraft are made.

When people have thought of Wichita, they might have thought of bread. For Wichita, a mighty storehouse of grain, has been a great wheat milling center from its earliest days. Garvey International, Inc., for instance, has one of the world's largest elevators there, capable of holding 24 million bushels of grain. (A food-energy-shelter firm, Garvey built the \$50 million Garvey Center, composed of office buildings, hotel, shops and theater, which is downtown Wichita's showcase).

Or they might have thought of oil. For if nearby fields produced no storied boom towns like Ranger or

Kilgore in Texas, they provided solid foundations for Vickers Petroleum, now a part of Esmark, Inc., and a score of other drillers and producers located in the city.

While Wichita is striving mightily to get rid of what remains of an image as a one-industry town, aircraft production still accounts for about 30,000 jobs, directly and indirectly, out of a manufacturing employment total of 54,850. In other major employment areas, services account for 29,600 jobs; government, 22,500 (McConnell Air Force Base is one of the biggest of Wichita's U.S. installations); and wholesale and retail, 36,450. In early January, unemployment was only 3.6 per cent compared to over 7.1 for the nation as a whole.

From a variety of business leaders

who have helped shape Wichita and are shaping it today comes an equal variety of reasons why the city is in the favorable position it's now in.

"Wichita has the geographical, natural, human and financial resources to grow," says A. Dwight Button, chairman of Wichita's Fourth National Bank & Trust Co. "And we have optimism, determination and pride."

To C.Q. Chandler, president of the First National Bank, a bow is due community leaders of a century ago who finessed a railroad spur to Wichita from nearby Newton and promptly used this outlet to outstrip all others in the area as a cattle center. That, he believes, was Wichita's first step upward.

Kansas Gas & Electric's Mr. Evans thinks a prime reason Wichita has grown with character is because businessmen have been willing to contribute money and time to develop educational and cultural institutions (Kansas Newman, Friends and Wichita State universities; museums; a half-dozen theater and arts groups; a professional symphony orchestra and a futuristic civic center).

The biggest contribution

"I suppose, though," Mr. Evans adds, "that the biggest contribution business has made has been providing jobs for this area's people. To hold them."

To Britt Brown, publisher of Wichita's *Eagle & Beacon*, his family, through its newspaper activity, has always been sort of a conscience for the community and a booster of things civic. (In 1887, the *Eagle* came out foursquare for electric-powered streetcars over mule-power. The campaign was a rousing success. In 1934, the *Eagle's* then-editor, Victor Murdock, urged development of a new industry in those depression days: distilling turpentine from sunflower stalks. This campaign wilted.)

A major reason for Wichita's growth—past, present and expected—to Richard Upton, executive vice president of the Wichita Area Chamber of Commerce, lies in one word: "Cooperation."

"Cooperation by the city's businessmen in donating not only money, but time and knowledge to build pro-



Mary Jane Teall started the Community Theater in Wichita 29 years ago, scrounging costumes and props. Admission was a dollar and plays were staged in a church auditorium. Today, she directs her casts in a plush playhouse in the Century II Civic Center. There are now a number of other theatrical groups in the city.



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grams for the good of everybody," he says. "Cooperation between business and the city and county. Both of these have economic development agreements with the Chamber to coordinate and execute programs for tourism, industrial development, convention promotion. Cooperation with 21 south central Kansas chambers on programs of interest to everyone."

Wichita, of course, is not all milk and honey to all who live there.

"Sure we've got problems, just like any other city," says Mayor Porter. "I really got interested in government when I was head of the city mental health program. Poverty, poor housing, whatever the have-nots haven't got, all of this goes into mental health. Maybe we don't have problems on the scale of some other cities, but then we aren't as big as some other cities. The point is, I think, that the city and its officials and its community leaders are trying to do something about them."

One thing people do is draw on the

brainpower of the city's universities, especially Wichita State. There's a proprietary interest here; for the institution for years was a municipal college.

With an enrollment of nearly 15,000, Wichita State is what is known in England as a "red brick" university—i.e., its student body is oriented toward economic goals.

"If you mean our students are committed to succeeding in the system, you're absolutely right," says Dr. Clark D. Ahlberg, a native who came back from New York's Syracuse University in 1968 to be president of Wichita State.

"The function of a university is to serve the needs of its students and its community—all of the needs. About 70 per cent of our students work, either full-time or part-time. About 18 per cent of our credit hours are taken after 6 p.m. We have a Master of Business Administration course we teach at McConnell Air Force Base because there are quali-

fied people there who want to learn.

"We'll design a course if there's a demand. An institution shouldn't prostitute itself intellectually, but if there are legitimate educational needs, they should be met. Isn't that what this is all about?"

The local higher education system is one more reason why Wichita, a city mostly of single-family homes and one to three cars per family, is a place where—by and large—its citizens want to be. Its youth tends to stay and it draws most of its new population from neighboring areas in Kansas and Oklahoma.

It's a nonmercurial, mostly friendly place where, in Dr. Mills' view, "you don't get lost in a crowd if you don't want to get lost."

So the central character of the hit song, "Wichita Lineman," isn't representative of the city in one way—his loneliness. But in another way he is. His sticking to his job makes him a kindred spirit of Wichita's hard-working solid citizens. **END**

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Does Your Congressman Read You?

A survey produces significant information about Capitol Hill correspondence, including the right way to write



This year, according to informed estimates, Americans will write to their Senators and Representatives in Washington 17 million times.

The bulk of this correspondence will make special requests: a Viet Nam veteran needs help speeding up his educational benefits payments; a widow can't understand why her Social Security claim hasn't been processed; an apartment dweller wants to know if anybody in government can tell him the best way to raise bees nine flights up.

Most of the remainder of the mail sent to Congress concerns legislation, spelling out how constituents view its causes and effects. But some of it is in a more frivolous vein.

One memorable letter to peppery Stephen M. Young, when he was a Senator from Ohio, said simply: "Do something." His equally memorable reply: "I did. I read your letter."

Then there was the one the late Sen. Robert S. Kerr of Oklahoma received after a newspaper story called him the "uncrowned king of the Senate." The letter writer sarcastically asked: "What do they call you at

Does Your Congressman Read You? *continued*

home . . . Your Royal Highness?" And his reply: "My parents called me Bob and my wife calls me Dear, sometimes, and my children call me Dad and I had a neighbor once whom I called a jackass. He was named John, too, just like you."

No matter what their motives for communicating with their elected representatives, citizens often wonder what the best method of communication is:

Petitions? Postcards? Form letters? Personal letters?

Batting better than 1,000

"One well-thought-out letter means more than 1,000 names on a petition, or 1,000 postcards," says George Fisher, administrative assistant to Rep. Olin E. "Tiger" Teague (D-Texas).

Dale Hulshizer, administrative assistant to Rep. Frank Evans (D-Colo.), says the most effective letter received on Capitol Hill comes from an individual explaining what a particular piece of legislation would or would not do to him or her.

Last summer, Barbara Bennett, a Colorado Women's College political science student attending an Institute on Comparative Political and Economic Systems at Washington's Georgetown University, was assigned to do intern work with the Chamber of Commerce of the United States.

Her task—to take an 11-question survey developed by the Chamber and talk to Congressional staffers about the effectiveness of citizen communications to the staffers' bosses.

She talked to administrative aides, legislative assistants, office managers, secretaries and other staff members. These are people who often take the necessary action on a letter, such as contacting government agencies or conducting research. They prepare the reply and—most important—serve as the conduit to the Congressman.

The degree of response to the survey may be indicative of the importance Congressional offices place on constituent correspondence.

Offices of 119 House members were invited to participate and 89 did. Of offices that didn't, four had a special reason: The members were on the

House Judiciary Committee, which was then immersed in the impeachment proceedings against President Nixon. In addition, 25 other members' offices reported they were too busy.

In the Senate, offices of 40 members were asked for inputs, and 28 cooperated. Of the 12 that didn't, 11 said they were too busy.

The first question asked of Congressional office staffs concerned the work load—how many letters, wires and telephone calls, on the average, are received per week.

Only a handful of offices keep tabs on the actual amount of incoming mail.

On average, Representatives' offices estimate they receive 400 letters from constituents a week, plus around 25 telegrams and 25 telephone calls. But there's a great amount of variation.

For example, a Virginia Representative, whose district is across the Potomac from Washington, receives three times as many phone calls as letters. Nearly all his constituents live in the local telephone area.

In Senate offices the incoming mail is, as might be expected, heavier, with the average being between 1,000 and 2,000 letters a week, plus about 100 telegrams and 100 telephone calls.

The survey unearthed some significant facts about the type of correspondence.

About half of the mail to Representatives, and two thirds of the mail to Senators, concerns pending legislation.

As could be expected, a Congressman who is not a chairman of a committee or subcommittee usually finds more of his mail asks specific personal actions than does one who has a more significant impact on legislation.

And logically, a member who chairs a key committee receives more mail from people—especially from people outside his district—who want to express their views on legislation originating or being managed by the committee the Congressman heads.

Congressional staffers were asked if issue-oriented mail, i.e., mail concerning legislation, is more likely to be for or against the bill in question.

The answer is the same for Representatives and Senators—people are more motivated to write in when they oppose legislation.

The consensus of those surveyed is that about 50 per cent of this type of mail appears to be individually inspired.

And all are confident they can detect mail drummed up in an organized campaign of protest.

A typical example; an onslaught of mail on the abortion issue. Attentive staffers spotted many letters obviously addressed with the same typewriter. A majority of staffers interviewed say such tactics are irritating.

How persuasive?

How persuasive are letters from constituents? Senate offices rate them as very persuasive, with House staffers rating them as slightly less so.

Is volume a significant factor in the impact on a member of Congress? On the Senate side, 65 per cent say volume usually has an impact. Less so in the House—43 per cent.

From House staffers comes this composite view: Volume has impact if the mail is from individuals, because that is an indicator of intensity of feeling. It has less impact if the effort appears to be orchestrated.

Does constituent mail give the Congressman a better idea of a bill's impact?

In both Senate and House, about 70 per cent of members' offices surveyed feel that it generally does.

Senate offices were found to be more tolerant of nonconstituent mail than House offices. Yet, a number of staffers comment that it serves no useful purpose to write a Senator from another state. This, of course, does not necessarily apply to a Senator who has ambitions for a Presidential nomination.

There is near-unanimous opinion that personal letters are the most effective way of reaching the legislator.

Form letters aren't considered great attention-getters, nor are postcards which say simply: "Support H.R. ____" or "S. ____".

Petitions draw a mixed response. A number of offices say that they are better than nothing and that it's

recognized that signing a petition gives a means of communication to a constituent who is uncomfortable about personally writing.

But most offices are skeptical about petitions. A number state they feel that many people tend to sign petitions circulated by friends without realizing what they are signing—they don't insist on knowing because they want to spare feelings. Some staffers say petitions are valuable because they serve as a barometer. But none find them really persuasive.

The most persuasive way to communicate with a Senator or Representative is by personal letter. If it's handwritten, that's even better (though it goes without saying that legibility is important).

The letter doesn't have to be a treatise. It should be as direct and short as possible. If it concerns legislation, it should make clear what effect the legislation will have on the writer. Use honey, not vinegar.

Don't write only when you're against something, many staffers say. Tell your legislator when he or she is doing a good job or has voted right as far as you're concerned.

A common Capitol Hill complaint is that the Congressman doesn't hear from constituents before a vote on an issue, but does get gripes afterwards.

Often, legislation changes even after a vote, making it a new ball game—for example, when a bill goes to conference. The advice: Keep informed and keep writing. **END**

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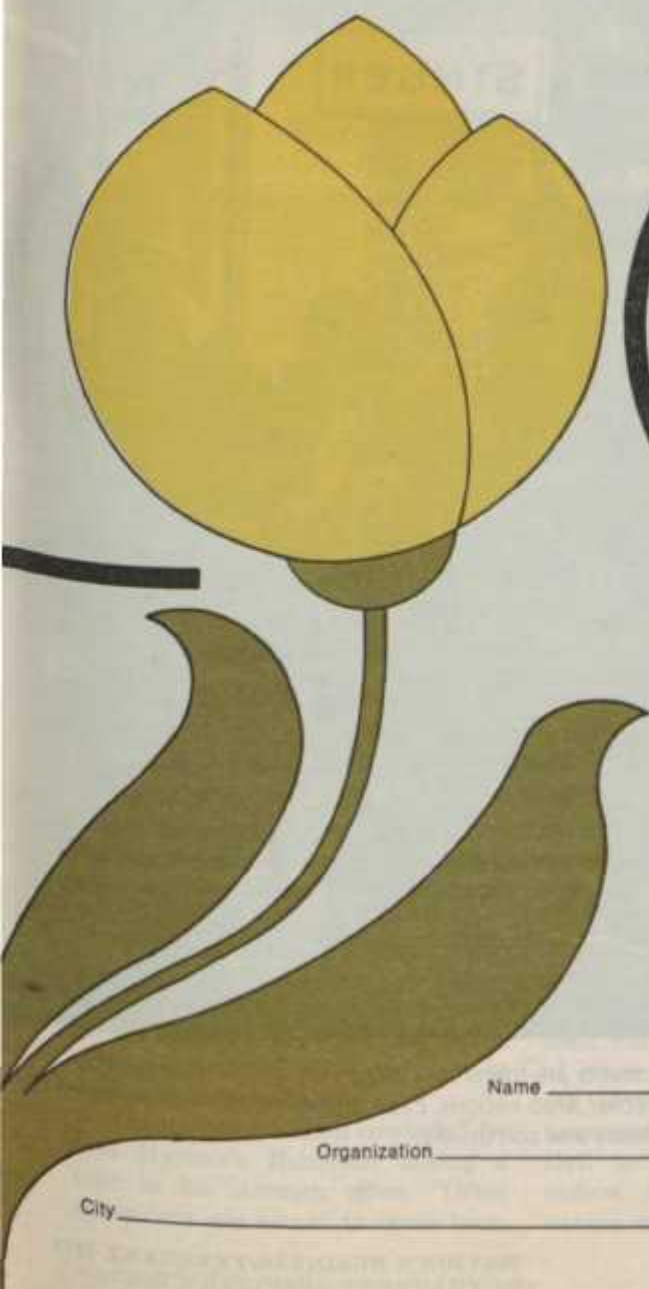
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Where U.S. Firms Are Missing a Bet

It's not "Yankee, go home" in this desert kingdom but "Yankee, please join us"

AMMAN, Jordan—On practically every road in this desert kingdom, the German automobile reigns supreme. In fact, the Mercedes-Benz is more common than the camel here.

Experts from Taiwan are setting up a textile plant. The beer is Dutch, and British and Japanese consumer goods are big in the shops.

British and German ship-loading equipment is on the docks at the Red Sea port of Aqaba. Germans built the new railroad from Amman to Aqaba and they are now laying out the new Amman International Airport. The French are developing copper mining.

All this gives an American an eerie feeling here in the country that is the United States' best friend in the Arab world. And, it makes one wonder: "Where are the Yanks?"

It's a pertinent question when you recall that since World War II the U.S. has provided Jordan with \$800 million in cash gifts, and in long-term loans at minute interest, for civilian development. Another quarter-billion has gone to the Jordanian army and air force.

The U.S. Department of Commerce recognizes the shortage of effort by Americans in Jordan, as well as elsewhere in the Middle East. In a "Report to U.S. Business," it said: "Billions of dollars in orders will be



American consumer products are found less often in Jordan than in many other Arab nations. Exceptions are Singer sewing machines and soft drinks.



On the Aqaba docks, stevedores—some in bedouin headdress—handle Jordanian imports, few of which are American.

Dutch electronic products, made by Philips, dominate much of the market.



The Taiwanese are first in sales of textiles in Jordan.



British Land-Rovers are better in the desert than camels. They sell well.



written over the next few years by the oil-rich states of the Middle East and their neighbors for precisely the kind of products and services in which U.S. companies excel. Unfortunately, a great many of these orders are likely to go by default to British, French, German, Italian or Japanese suppliers, because U.S. companies are slow in reacting."

Prime Minister Zaid Rifai—fluent in English, urbane, and a frequent, welcome visitor to Washington—has his theory on why Americans, who are just about everywhere else in the commercial world, have not come to Jordan in large numbers.

"Capitalists are often cowards," he told NATION'S BUSINESS during a visit in his Amman office. "Often Americans are afraid to come here,

partially for political reasons—the fear of another Middle East war." But then he pointed to the Germans, Britons, Swedes, Japanese, Taiwan Chinese and Frenchmen thronging hotels.

Prime Minister Rifai also said one factor keeping Americans from at least matching the business efforts of other nationalities is "the memory of the internal unrest"—which amounted to a full-scale, but brief, civil war four years ago between radical Palestinians and the Jordanian government.

Chances for more such "unrest" appear to have lessened now, because Jordan's King Hussein went along with the recent decision by other Arab rulers to support formation of a Palestinian nation on the West Bank of the River Jordan, in territory formerly held by the Jordanians and now held by the Israelis.

The Prime Minister, numerous government development executives and heads of Jordanian banks, other private businesses and commercial associations plead for attention from American business and offer large helpings of tax relief and a dozen other major concessions under the "Encouragement of Investment Law of 1972."

It's a law specifying that Jordan is a land of private enterprise where

Where U.S. Firms Are Missing a Bet *continued*

government rarely takes a leading role. In most business, the government has no role whatsoever.

An example of Jordanian private enterprise in Amman is a flourishing market where livestock is bartered, just as it has been for thousands of years. Nearby is a modern computer center, also privately owned, and an American enterprise—a recently established branch of New York's First National City Bank.

"We want all kinds of American participation, not just banks," the Prime Minister said. "We want Americans in on the development of our natural resources. We have over a billion tons of phosphate in the ground and we are nearly doubling production each year. Until recently, we had a shortage of railway equipment and trucks to handle the phosphate, but that is now corrected. We have also large copper deposits.

"We admire American businessmen and we want them in joint ventures with our government or our private enterprises—or the Americans can come in entirely on their own."

Ali T. Dajani, director of the Amman Chamber of Industry, and Dr. Khalil Salem, president of the National Planning Council, both believe the smallness of the Jordanian market—only three million people—makes Americans prefer to go elsewhere to invest.

Size is a factor

Mr. Dajani ran off a list of Jordanian private enterprises looking for American partners, and the amount of money needed in these joint ventures was invariably small by American standards—usually from \$500,000 to \$1 million.

The companies produce textiles, confections, glass, ceramics, building materials, oil products, paper, cardboard, woolens, agricultural equipment, toothpaste, shaving cream, auto batteries and other items.

"If I had a medium-size American business," Mr. Dajani said in his office in the center of the colorful Old City section of Amman, "I would put up a tire plant here. Local money is ready for a joint venture. The number of cars here goes up fast and Egypt has the nearest tire factory. There is an excellent opportunity to

sell tires here and to export them throughout the Arab world.

"Here we do not think only of the Jordanian market. We think of Saudi Arabia, just next door and with all that oil money to spend; we think of Kuwait—very rich—of Syria, Iraq, the sheikhdoms to the east. Jordan has a superb port at Aqaba—it's east of Suez, and the whole of the east coast of Africa can quickly be reached from it.

"A well-equipped printing plant could be profitable, for there is no such thing here now. We must even have our passports printed in Great Britain. Business partners are waiting here to help erect a printing shop.

"The Arab world can use every bag of cement that can be produced. We have much building. We need big trucks that mix cement while on the way to building sites, such as you find in the West. Did you know that, here in Amman, we still follow the old-fashioned, wasteful, foolish practice of mixing cement by hand in tubs at the building sites?

"Look anywhere and you see construction. Construction workers get from \$3 to \$12 a day, depending on skills and the job.

"The Middle East is the land of sheep and yet we need millions more animals. We need at least one million extra every year for Moslem pilgrims to take with them to Mecca. Arab states in our neighborhood—the Saudis for example—would take all the meat they can get. Now, much of our meat comes from Bulgaria, of all places. We also eat more poultry every year. American agribusinesses have many opportunities here."

Good labor relations prevail in Jordan—strikes are rare. Pay scales are above those in several Arab countries, but productivity is considerably higher. Only Lebanon has a better literacy rate in the Middle East.

Jordan is often described as an Arab country without oil, but it now appears that this is not true. Prime Minister Rifai declined to give details other than to say that oil very probably is here and that he hopes to enlist American oil exploration companies to help bring it up.

The desire for more American investment and participation is so great, Planning Council President

Salem said, that King Hussein is "holding open the door" for American participation in developing a copper industry. The King is popular with Jordanians, except with the radical Palestinians. He mixes well with the people, flies jet fighters, water skis at Aqaba and moves smoothly on the tuxedo-diplomatic circuits of Washington and London. Also, he is effective—when he advocates something, things begin to happen. His prestige is partially responsible for decisions by American hotel companies—Holiday Inns and Sheraton among them—to participate in new hotels here.

Fateful phosphate

Jordan's main export item, phosphate, currently provides revenue unheard of until the past few months. "The price went from a break-even \$16 per ton to \$65 and it is now heading for \$80," Dr. Salem said. "Production will reach eight million tons yearly very soon and this means Jordan has the money to help finance many incoming industries and to meet commitments on loans from abroad. Right now we need \$1 billion, which isn't much in these days, and we will get it.

"We have good credit and our dinar is quite sound. We are far ahead of our development program in many instances."

A prime contributor to Jordan's improving economy is the beautiful and fertile Jordan River Valley.

Without the East Ghor Canal to carry water to thousands of farmers, the valley would be desolate, as is most of the country. Americans can take pleasure in the fact that the 60-kilometer-long (37 miles) canal, which is being extended another 18 kilometers toward the Dead Sea, is to their credit. The 16-foot-wide, three-foot-deep cement-trench canal has been financed during the past 12 years largely through American gifts of cash and easy loans.

The Jordan Valley is an open air hothouse hundreds of feet below sea level where a variety of crops are harvested three times yearly. American experts consider its potential to be about equal to that of the Imperial Valley in California.

Another prime contributor to Jor-

dan's economy is the tourist trade.

Though Israel holds the holy city of Jerusalem, which was part of Jordan until the 1967 war, Western tourists pour into Amman for visits, travel to Jerusalem by bus, and then visit Antioch, Bethlehem and Galilee before returning across the Jordan River to Amman. About 150,000 did this in 1974.

Abed Alruhan Abu Rabah, general director of the Ministry of Tourism, said the number of visitors going to holy places increases steadily and scores of business opportunities exist for Americans to take part in providing transport and lodgings for them.

A wealth of history

Jordan is rich in tourist attractions.

This is a land where Lawrence of Arabia led desert fighters against the Turks. There are Crusader castles, and the ancient, hidden city of Petra. The best-preserved Roman ruins in the world are at Jerash. In the Jordan Valley 10,000 years ago, many archeologists say, man first stopped being a rover and settled in the world's first community.

It's a land of many holy places for Christians, Jews and Moslems. It's the birthplace of scores of Biblical figures. It's where Salome danced and John the Baptist lost his head.

In addition, there are camelback vacations to take in the eastern desert, great wadis (valleys) comparable to the Grand Canyon, and the modern beaches of Aqaba.

Also, there's royalty, always a magnet for tourists. Plus accoutrements of the Moslem world—veiled women, mosques, holy men in dress unlike anywhere else, bedouin camps in the desert.

It all makes for a colorful, different backdrop for investment of Western money and know-how.

There is one jarring note in Jordan's mixture of today with yesterday. When the people are called to prayer, and the whining chant comes down from the minarets of the mosques, it comes not from the throats of muezzins, but from recordings played on phonographs.

And not even the phonographs are American-made. They are German or Japanese. —STERLING G. SLAPPEY

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A VIEW OF THE CLIMATE ABROAD

West Germany



PHOTO: FRITZ KENIS—PHOTO RESEARCHERS

German exports are heavy on capital goods. These objects that look like Greek columns are parts for supertankers' diesel engines, made at Essen.

Although it was a spy scandal that triggered Willy Brandt's decision to step down as West German Chancellor nine months ago, economic forces were an important factor, too. He probably could have weathered the political storm had it not come on top of problems that included inflation, the energy crisis, growing unemployment and turbulence in the money market.

The current business climate in the Federal Republic of Germany is certainly one of malaise. It is hardly surprising, therefore, that the voters selected Helmut Schmidt, a former Finance Minister, to succeed Mr. Brandt.

Chancellor Schmidt has his work cut out for him. The production rate

is stagnant—activity has been particularly weak in the construction and auto industries. And a hard psychological blow came last spring, with the collapse of the big Herstatt Bank in Cologne. Fears were particularly strong among customers of small banks—several of which failed, probably as a result of these fears.

However, the German economic picture is not all gloom. A series of inflation-fighting stabilization measures have been in force since early 1973, and it is generally felt that they are working. The cost of money has risen to a record high, dampening both demand and industrial expansion. Inflation is about 7 per cent, which—though serious—is less than in most countries.

The employment picture, too, could be much worse. Out of a work force of 26.5 million, there were only about 300,000 fewer employed persons in

mid-1974 than there were a year earlier. There have been few large-scale layoffs, even in the automobile and construction industries, because hours are usually reduced before workers are laid off or terminated. At Volkswagen, a novel scheme has been tried to reduce the work force without resorting to layoffs. All workers were offered a bonus—amounting to several thousand dollars in many cases—if they would voluntarily resign. About 3,500 did.

In addition, the government has dealt with the unemployment problem through a measure to reduce the number of "guest workers," people mainly from the Mediterranean area who are employed in the Federal Republic. Companies have been barred from further recruitment of "guests," who now total 2.5 million.

Financial uncertainty resulting from the Herstatt Bank's collapse also appears to be declining. The Central Bank gave special assistance to banks threatened with liquidity problems because of the failure. The government, for its part, has taken additional steps to safeguard private bank deposits, and to convince the people that the causes of the Herstatt collapse were unique.

Probably the biggest boost to business morale has been the way German exports have increased. Had this not been the case, production probably would have declined rather than remained stagnant. Since the fall of 1973, domestic orders received by industry have been down almost 10 per cent, in real terms, compared to the previous year. On the other hand, exports in the first four months of 1974 exceeded those of the same 1973 period by 20 per cent, in real terms. Thus, outside the automobile and construction industries, capacity utilization has remained relatively high.

The bright export picture is particularly remarkable in light of conditions which normally could be expected to discourage sales abroad. Wages are higher than in most coun-

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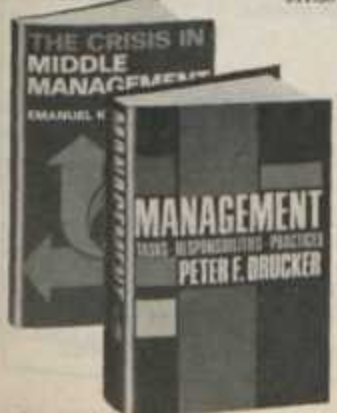
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A View of the Climate Abroad *continued*

tries with which Germany competes. And the massive currency realignments of the past few years have made German goods relatively expensive—the Deutschmark has appreciated 40 per cent relative to the dollar, since 1969.

There are a number of reasons for this. Germany's exports are oriented toward capital goods, which are in great demand and which are not overly sensitive to price increases. German goods have a reputation for quality, and German companies are considered better able than most to meet delivery dates and respect a customer's special wishes.

Commerzbank, one of Germany's larger private financial institutions, recently sounded a note of caution on exports, though. Exports, the bank says, have "begun to lose impetus." It adds, however, that private consumption could resurface as a stabilizing factor. This consumption has been down lately, partly because of the general economic lethargy, and partly because of higher prices for gasoline, heating and social services. Also, the total "tax and insurance bite" from the average em-

ployee's paycheck went from 25.8 per cent in 1970 to 30.1 per cent in mid-1974. (Some tax relief measures took effect last month.)

Germany also is a large exporter of capital and technology. Ever since revaluations have made the dollar relatively cheap, Germans have been looking more to the United States and Canada as a good place to invest. Volkswagen, for example, was considering opening an assembly plant in the U.S. before a sales slump led it to shelve the idea.

In addition, German money is finding its way to homelands of "guest workers." This, in effect, is sending the jobs to the workers, instead of vice versa.

As for workers in Germany, unions are calling for a larger role in management, and a bill now is being considered in the national legislature which would considerably extend existing laws under which workers are represented on company boards. The business community feels that this proposed legislation presents a definite threat to the equity position of companies, especially that of multinationals operating in Germany.

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A 'New' Way to Change Jobs

A Simple, Easy-to-use Method that Really Works Fast

by Robert J. Jameson

Do you know what some job-hunters pay "professional consultants" for their advice? \$2,000 to \$5,000!

I know. Of course, I should, since providing job hunting advice is my specialty.

You see, my own \$12 Job Changing System has been used by more than 100,000 people... and praised in more than 150 articles.

Anyway, I've often thought about people who enroll in expensive programs. And, I must say, that for \$2,000, they probably expect some 'very great secrets!'

However, even for \$2,000, I suspect that they don't learn my revolutionary (and copyrighted) method - A method which doesn't require 'genius' or 'luck' - and which can help you move up in your field, - or out to another field, - & at any level from \$12,000 to \$150,000.

Of course, as I mentioned, my System sells for \$12, and it must be learned at home.

And, with my System, I'm sorry, but... you'll have no psychological testing, no one listening to your problems, and no long discussions in plush offices. Unfortunately, if you need these things, I'm afraid I can't help you!

HOWEVER, - if you simply want to get a better job, then, - all my System requires is that you can read and follow my written instructions.

Furthermore, - if you want to learn my simple job-hunting success methods, - and that's exactly what they are, simple, logical, and common-sense formulas, that can increase your job-hunting effectiveness 4, 5, even 6 to 10 times,

And... if you want to stop being harassed by inflation, when everyday there are still thousands of higher paying opportunities not being filled,

Then... my Professional Job Changing System can really make things easy. All you have to do is put it into action. After all, it contains 3 very valuable types of information.

1ST - THE REFERENCE AIDS... here you'll get 50 of the greatest job-getting letters & resumes ever assembled... a directory to the 1,000 leading recruiters & agencies... a directory to the country's 2,500 largest employers... plus exactly where the jobs are, from \$12,000 to \$150,000.

2ND - THE SIMPLE NO-NONSENSE TECHNIQUES... Here you'll receive "hundreds" of methods for dealing with every conceivable job hunting problem... from searching in "secrecy" to handling murderous "stress interviews"... from answering "unusual ads" to getting "interviews" with foreign ambassadors... from "negotiating" a top dollar to beating tricky "psychological tests"...

Plus, ingenious solutions to the difficult personal situations... and that's regardless of who you are, what you are, how old you are, or how much education you have or how much money you need!

3RD - THE SYSTEM ITSELF... which is really the key, my step-by-step plan of action, an easy to use formula... it is a new and revolutionary concept, - one that pulls everything else together, and makes old job hunting methods completely obsolete.

(I mean the ones that have people scattering resumes, laboring over application forms, sitting in waiting rooms and running after dead-end leads!)

Perhaps the best part about my System is that once you've used it, - you'll have more self-confidence than you've ever had. - That's because you'll know you can always get a new job, quickly and predictably!

Taken as a whole, my latest product is the result of 5 years of work, 3 major revisions and a \$250,000 investment.

By the way, Business Week Magazine has done 2 articles on my System, and called it an "indispensable aid."

Nation's Business, the country's largest business magazine, said my resumes & letters were "incredibly effective."

Personnel Magazine termed it "a breakthrough" and like I said, a lot of others have praised it too.

In fact, the National Public Accountant probably summed it up best when they said it was "capable of catapulting almost any average person into a position offering much greater rewards."

Also, I should mention that some very important people... my customers... have sent me thousands of letters applauding my system.

These have come from all sorts of people, mostly average, but some famous... from recent graduates to professional coaches, and from young engineers to corporate presidents.

Anyway, - if it's important for you to:

Earn more money and stay ahead of inflation... or simply to find a new job or career you can really enjoy...

And, if you want to be able to do this quickly, painlessly, - and for \$12 instead of \$2,000, then here's what you should do.

Complete the coupon below and mail it to my personal attention. Or, if you prefer, and you have one of the major credit cards we honor, you can call in your order anytime between 9:00 and 3:00 (Eastern Time) each weekday. We'll verify your name, address & credit, and ship to you the next morning. Our telephone number is 201-226-6477.

And, by the way, if after examining it for 10 days, you're not happy, just send it back and we'll mail your full refund immediately, with no questions asked.

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Midwives for Mother Nature

Timber is one resource which is renewable and even increasable, and nobody knows that better than the forest industry

In our concern over shortages of natural resources, it's comforting to look at wood. We use a lot of it, but we have a lot.

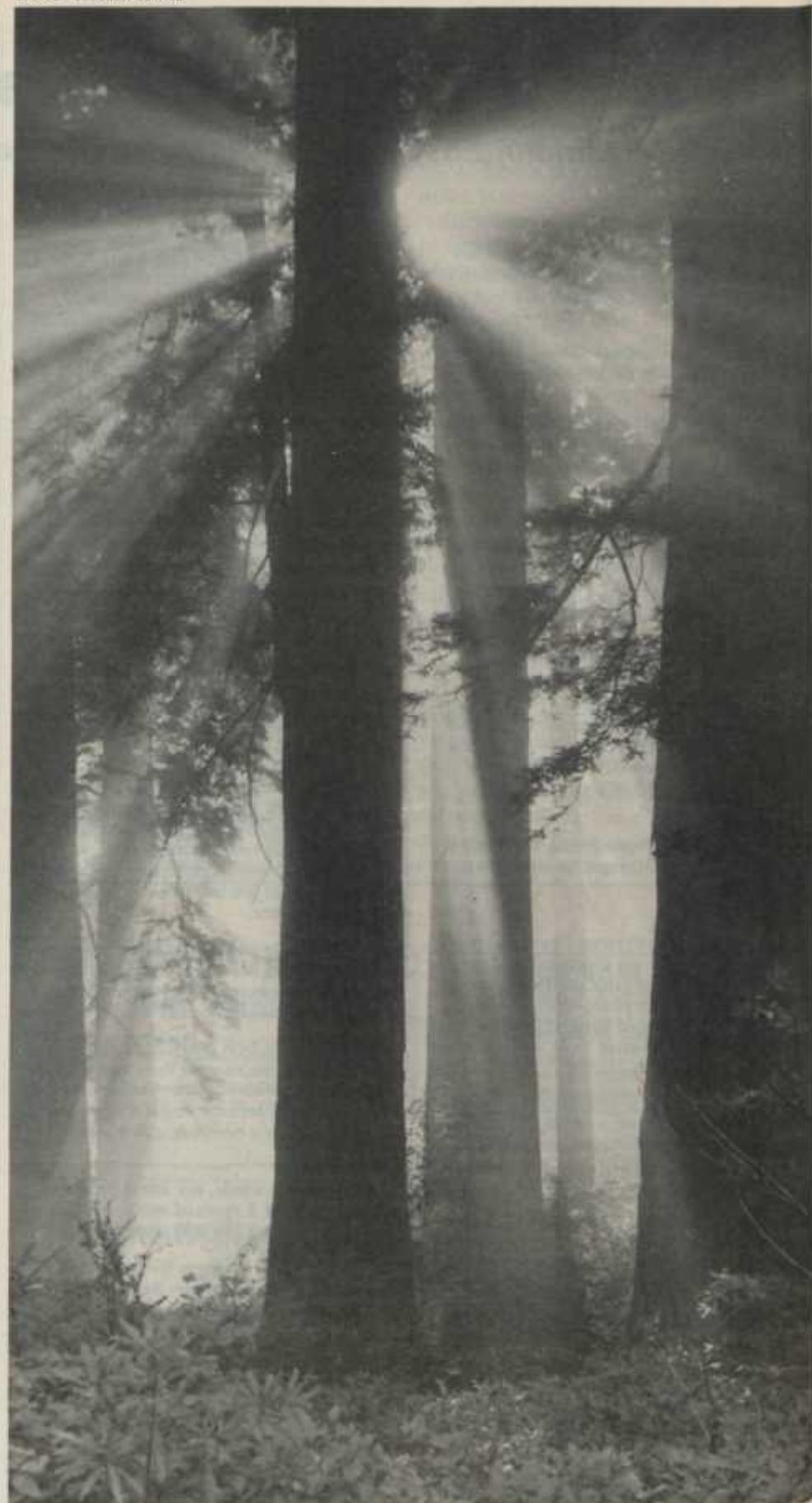
Trees, unlike metals or oil or coal, are not only a renewable industrial resource but one which can be increased.

Still, it can be heartrending to watch a 200-year-old Douglas fir cut down in 15 minutes, or to see a 300-year-old redwood quiver, then slowly lean, and finally plummet to the earth with a shattering roar.

No division of business, not even the oil industry, has been under heavier attack from environmentalists over a period of years than the forest industry. To some people, cutting down a tree, especially a redwood, is evil regardless of where it is, whether the cutting will help forest ecology, whether the tree is already dying, whether it will be replaced, or no matter how much demand there is for the wood.

But the American forest industry is a great deal more interested in the well-being of trees than it is frequently given credit for.

Tree preservation and replanting is a high science which is practiced at a pace that can only be appreciated by spending several days in the forests. It's entirely logical for the big wood products firms of the Northwest, New England and the South-



Forests can be so lovely—a tree, in one poet's words, is "the shaft of beauty towering high"—that some folk find logging almost sacrilegious. They may not realize that lumber companies plant more trees than they cut.

east to take care of their own forests and the National Forests. If the companies didn't replant, they would soon be out of business.

"Forest companies are midwives to billions of trees a year," says George C. Cheek, executive vice president of the American Forest Institute in Washington. "In some areas, New England for example, planting is unnecessary. Nature does the job. Elsewhere, we speed the process. School kids and housewives from forest communities earn pocket money by gathering cones by the bushels for the companies. Seeds are taken out, put in company nurseries and grown into small trees."

The area where the cones came from is then logged, usually by clear-cutting so that underbrush and stunted trees won't clutter up the site and so that tree-eating insects, diseases and forest fires won't easily spread.

"When the small trees are ready," Mr. Cheek says, "they are taken back to the same area, even to the same side of a particular hill where their cones came from in the first place, and individually planted. Computers help keep an account of all this."

With special fertilizers and scientific growth practices at work, these one- to three-year-old seedlings are already equal to seven- and eight-year-old trees. Last year, an estimated 1.7 million acres were hand-planted with an average of 800 trees to the acre. Each tree was spaced apart so it does not keep sunlight from other trees as it grows. Thus, its chances of surviving to maturity are a hundred times greater than those of a seedling that grows naturally.

In addition, millions of other trees were started by aerial seeding.

In Oregon a naturally grown Douglas fir usually takes up to 90 years to reach full size. By acting as midwives, with good forestry follow-up work and aerial fertilizing (which, although extremely costly, is increasingly used) forest men have reduced growing time to less than 70 years.

They expect eventually to have it down to less than 50 years.

These practices to rejuvenate forests are used by such companies as Weyerhaeuser, Boise Cascade, Louisiana-Pacific, George-Pacific and Simpson Timber. Simpson alone has reforested 50,000 northern California acres in redwoods, which grow surprisingly fast.

Another way to speed growth is through selective cutting in which loggers take out dying, overage and overcrowded trees.

Environmentalists at heart

Just about everyone in the forest industry is an environmentalist at heart. Dave Burwell, head woodsman for Rosboro Lumber Co., who lives near Springfield, Oregon, on the Finn Rock Tree Farm, oversees the felling of thousands of giant trees every year and every time one falls, he says, he is sad.

But Mr. Burwell defends cutting: "Many more trees die from disease, insects, old age and fires than all the loggers together take out. With good cutting methods we save the lives of tens of thousands of trees every year."

Mr. Burwell and James A. Rydelius, reforestation administrator for Simpson, insist that clear-cutting, although controversial, is best in the long run. Clear-cutting leaves hideously large slashes in forested areas but, says Mr. Rydelius, "Second stands come in faster and more trees are produced as compared with selective cutting. This is true for redwoods, ponderosa pine and Douglas fir."

Advantages of clear-cutting over selective cutting were argued in Europe 100 years ago, especially in Scandinavia and Germany where forest conservation is a religion. No definitive decision has emerged.

Environmentalists have filed scores of lawsuits in federal courts to stop logging, or slow it to an uneconomic pace. Some suits would halt timber sales and others would drastically

restrict cutting in the 150 National Forests. Besides this, the preservation movement is now trying to increase the size of Wilderness Areas.

These federally owned, rigidly controlled areas are never logged. Roads and houses cannot be built in them, and campers can take in only what they carry on their backs, on horses or in canoes. Preservationists say large Wilderness Areas are needed for recreation and to complete the ecosystem, so trees can create oxygen and help clear the air. Logging companies agree—but disagree on how large these preserves should be.

"The hardest environmental argument to resolve just now is between the Wilderness Area advocates and the loggers," says Mr. Cheek. "Wilderness advocates keep increasing their acreage demands."

Wilderness Areas—entirely sepa-

PHOTO: WEYERHAEUSER



Hand-planted replacement trees have better chances than those planted by Mother Nature. Man doesn't overcrowd them.

Midwives for Mother Nature *continued*



These three-year-old seedlings won't be "ripe"—as loggers put it—for another 50 to 70 years. After growing up a bit, they will be "outplanted" from the nursery into the forests.

rate from National Parks and National Forests—now include 15 million acres which are permanently retired from logging. Though this acreage represents only a small percentage of the 700 million acres of forest land in the United States, it is steadily increased by the federal government.

Neither side, loggers or preservationists, has clearly spelled out how many acres they feel should be set aside.

Three organizations that lead the campaign to extend Wilderness Areas by several times their present size are The Sierra Club, Friends of the Earth and the Environmental Action Foundation. The Foundation has advocated driving large nails in trees in National Forests to foul the saws of loggers who are cutting under government contracts. (Nails damage trees but do not kill them.)

"These and other organizations spend about \$30 million yearly in the effort to extend the Wilderness Areas and to slow, or stop, cutting in National Forests," says John F. Hall, vice president of forestry affairs at the National Forest Products Association in Washington. National Forests hold about half of the country's commercial timber.

"The expenditure is more than the amount Congress usually allots yearly to the Forest Service for reforestation," Mr. Hall says. "Further, the \$30 million is roughly equal to the sum the government spends each year in preparing environmental impact statements on logging proposals."

The sum is twice the combined budget of the major national forest industry associations.

Environmentalists, unions with members in the timber industry and forestry company people all agree

that Congress should appropriate considerably more money for reforestation. They say the growth rate in 187 million acres of National Forests could be increased 50 per cent with relatively small amounts of money. Congress is regularly accused by preservationists and timber interests alike of refusing to make larger appropriations because no political points are to be made in doing so—results of replanting would not be appreciated by the voters for at least a generation, or after most present members of Congress have died.

Doubled demand

While Congress refuses to put up additional money, wood usage increases, although unevenly because of changes in the rates of construction and paper consumption. It is accepted that U.S. demand for wood will double in 25 years.

Reforestation, fertilization and revitalization by private timber companies, along with similar work done by the federal government's Forest Service, may ensure that the United States does not become critically short. They may also ensure continued exports, primarily to Japan, of logs, lumber and paper products.

Our exports totaled \$3.1 billion in 1973, the latest year for which figures are available. Although exporting, we are also importing, principally from Canada. Our forest products imports came to \$4.5 billion in 1973.

Americans are great consumers of forest products, among many other things. On average, we each use about 575 pounds of paper yearly—and that's a great deal of paper.

But, there is a heritage here for conservation of wood. In 1640, towns in what is now New Hampshire had ordinances restricting logging. And in 1682, William Penn ruled that anyone who took title to portions of his land had to leave one acre in trees for every five cleared.

Now, newer laws, applicable to modern times, are being observed in the forests.

"We grow about a third more wood per year than we harvest," says Mr. Cheek. "We get a lot more than wood out of our forests as well. The forest is a perpetual thing—that is, if we are allowed to take care of it." END



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Double Threat to a Killer

BY REP. WILLIAM H. HARSHA (R.-OHIO)

A private-public partnership can save thousands and thousands of lives on the highways

As anyone who has spent any time in a hospital emergency room can tell you, motor vehicle accidents remain one of the leading causes of death in this country.

They are the No. 1 killer of our young people aged five through 24 and the fourth leading cause of death, after cardiovascular disease, cancer and pneumonia, among the entire population.

The stark statistics point up the fact that improving highway safety should be a major national priority.

Reports of a decrease in traffic fatalities as a result of the reduction of highway speed limits to conserve energy are welcome news indeed, and were responsible for the move in Congress to make the lower limits permanent.

But we have to remember that, even with a 20 per cent reduction in fatalities, which may or may not be achieved, more than 40,000 men, women and children would still be killed on our highways each year.

Until we take forceful new steps, the potential for motor vehicle mayhem remains staggering.

With a major assist from the business community, some of those steps are being taken, and hopefully they will lead to a firm commitment to realistic programs.

An aggressive new organization, Citizens for Highway Safety, has been formed by 15 corporations in the highest tradition of the free enterprise system.

Its primary purpose will be the effective implementation, including full funding, of every provision of the Highway Safety Act of 1973, which I sponsored with broad bipartisan

support and which surely is the most ambitious law of its type in history.

Citizens for Highway Safety will concentrate its activities in two principal areas:

- Mobilization of public support behind the overall goal of highway safety. (It was Lincoln who once observed: "He who molds public sentiment goes deeper than he who enacts statutes. He makes statutes or decisions possible or impossible to be executed.")

- Liaison with the White House, the Department of Transportation, the Office of Management and Budget and state governments to achieve the cooperation that will be needed if the Highway Safety Act is to be carried out efficiently.

If it is, I estimate the Act will save many thousands of lives a year.

What the Act does

Let me briefly summarize its provisions.

For the 900,000 miles of primary and secondary arteries in the federal-aid highway system, which carry about two thirds of all highway traffic, the law authorizes \$900 million over three years to:

- Mark center and edge lines on two-lane rural roads, where two thirds of all traffic fatalities occur, and where demonstration projects have shown that pavement marking is a cost-effective measure.

- Make spot improvements to eliminate or reduce hazards at specific locations—such as sharp curves—which have a high incidence of, or potential for, accidents.

- Eliminate roadside dangers to out-

of-control vehicles through such steps as removing trees too close to the traveled way, or installing breakaway signs and utility poles.

- Reduce hazards at railroad crossings by building overpasses, installing automatic gates or other protective devices, or using more effective signs where these will suffice.

- Eliminate dangers posed by highway bridges through such steps as replacement, major renovation or safety improvement as needed. (Nearly 89,000 of the nation's 563,000 bridges are "critically deficient" under current safety standards.)

The law also covers the hundreds of thousands of miles of roadway not in the federally aided highway system. States must identify hazards and assign priorities in three of the areas designated for the federal-aid system: highway marking, eliminating roadside obstacles and reducing railroad grade crossing hazards. Bridges are not covered by this portion of the Act.

In addition to highways themselves, the law covers several other safety areas.

A "carrot" mechanism is provided to encourage use of seat belts: States that enact laws mandating their use in cars are entitled to a 25 per cent additional payment on their normal allocation under the safety program.

Where mandatory seat belt use laws have been adopted, most notably in Australia, fatalities have declined 25 per cent and crippling injuries 33 per cent.

If the Australian experience could be transferred to the United States—and there is no reason to believe it

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Double Threat to a Killer *continued*

cannot be—we could save at least 10,000 lives a year.

While I supported the recent Congressional action abolishing the counterproductive requirement for a no-buckle, no-start seat belt system (I feared that irritated motorists would turn against seat belts altogether), I believe that move makes the safety law's provisions for encouraging seat belt use all the more important.

There are a number of less dramatic but equally important provisions in the Highway Safety Act of 1973, including studies to evaluate driver education programs, to assess the effect of drugs on accident rates, and to determine what types of individuals are more likely to become involved in accidents.

Because some 20 per cent of all highway deaths involve pedestrians and bicyclists, a special study aims at finding ways to reduce that toll.

Finally, efforts will be made to determine how to involve the American people directly in the cause of highway safety. If that movement is successful, the safety program could be converted into a safety crusade.

Corporate citizenship

Citizens for Highway Safety will play an important role here by focusing on the 1973 Act, thereby complementing and supplementing excellent work being done in the overall highway safety field by such organizations as the Highway Users Federation and the National Safety Council.

Founding members of Citizens for Highway Safety are Aluminum Co. of America; 3M Co.; PPG Industries, Inc.; Potters Industries, Inc.; the J.E. Bauer division of Whittaker Corp.; Ferro Corp.'s Cataphote division; the Eagle Signal division of Gulf + Western Mfg. Co.; the Flex-O-Lite division of General Steel Industries, Inc.; the Automatic Signal division of LFE Corp.; M-B Co., a division of Evans Industries; Crouse-Hinds Co.; Baltimore Paint and Chemical Co.; Perma-Line Corp. of America; Prismo Universal Corp.; and Safety Lines Marking, Inc.

All have product lines in the highway safety field, and among them have a great deal of expertise to provide in this area.

John Manley, executive vice president of Potters Industries, is chairman of Citizens for Highway Safety, and I serve as honorary chairman.

Finally, let us examine the financial aspects of the highway safety program.

One reason our highways are pockmarked with booby traps that kill and maim unwary motorists is that safety programs have traditionally been accorded stepchild status in comparison with construction.

Road building has been assured a continuing source of financing through the Highway Trust Fund, which receives revenue from gasoline and other highway user taxes.

Each major program of the Highway Safety Act of 1973 similarly was set up for separate financing through this trust fund, in hopes of abolishing the unhealthy competition for money between road construction and safety.

Unfortunately, the Office of Management and Budget has thwarted Congressional intentions by imposing ceilings on the highway and safety programs. The effect of this action has been to reintroduce the unhealthy construction-vs.-safety competition.

If the OMB approach is continued, only about half of the \$2 billion authorized by the Safety Act through 1976 will likely be spent.

As a result, only half of the projected savings in lives and injuries will probably be realized. This would be a tragedy for the nation and its people.

Highway accidents annually take tens of thousands of lives and are responsible for some two million serious injuries.

On the other hand, highway accidents each year result in economic costs, including lost wages, of nearly \$40 billion.

If sufficient funding to reach the Safety Act's goals is provided by Congress, and officials at the state and local levels of government do their part, billions of dollars will be saved and, more importantly, thousands upon thousands of Americans will avoid death or serious injury and will live out full, useful lives.

It is hard to imagine an endeavor that could produce higher dividends for the American people. **END**

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Keeping the Conveyors Moving

The minicomputer is the most promising answer to the question of how to minimize damage from unavoidable breakdowns of the high-speed, bulk-handling conveyors of today and tomorrow, says Jervis C. Webb, president of Detroit-based Jervis B. Webb Co., the nation's largest manufacturer of conveying systems.

In recent years such systems have tripled in capacity and doubled in speed. Now the outlook is for speeds to increase another 50 per cent.

A breakdown in these rapid movers can cause havoc, particularly in such bulk systems as those handling coal.

"The systems are so exotic, complex and powerful these days," Mr. Webb says, "that before a coal conveyor can be shut down in an emergency for a burned-out bearing or other malfunction, 30 tons of coal may have moved. That is fine if there is room for 30 tons of coal; it's not so fine if there isn't room."

Minicomputers, he predicts, will be able to monitor system components, forecast a difficulty, and provide means to alleviate one while it is still controllable.

Up ahead is the day when the minicomputer will run the entire system, starting and stopping equipment in correct sequences, batching and weighing, and keeping production records. While this is already a reality in some manufacturing applications, little has been done on bulk conveyor systems to date.

"The advantages would extend beyond the management of the system to the cost of installation," Mr. Webb says, citing the tremendously expensive relay panels and field wiring which can be as much as 40 per cent of the cost of one of these systems today.

"New computer wiring technology requires a simple two-wire system, strung much like telephone wire," he notes. **END**

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The High Cost of Hiring

Most companies don't take accurate measurements of this business expense, but they can and should

What does it cost your company to hire new employees? How can these costs be determined? What is their significance to the company?

Many factors have to be considered. For example, a large conglomerate recently hired a \$60,000-a-year executive. To get the right person, it retained a prestigious executive search firm. A qualified man was found and, after a series of interviews, an offer was made and he was persuaded to make a change.

In this case, the total cost of the hiring was \$47,200:

Search fees and expenses	\$15,000
Interviewing time and expenses	1,000
Administrative costs, including reference checks, medical exam, psychological testing	1,000
Reimbursement associated with selling old home and purchasing new one	5,500
Travel and temporary living expenses	3,800
Moving expenses	4,900
Time lost while resettling	2,000
Start-up costs, nonproductive time due to unfamiliarity with company methods and products	2,000
Guaranteed bonus	12,000
	\$47,200

Is this unusual? Not really. And remember, the to-

ROBERT E. SIBSON, author of this article, is president of Sibson & Co., Inc., Princeton, N.J., management consultants specializing in executive compensation.



Weigh hiring costs

DRAWING: CHARLES A. DUNN

tal cost of \$47,200 (approximately 75 per cent of the executive's annual salary) was, for the most part, expensed out of profits before any contribution was made by the new manager.

Here are some other examples based on companies that use employment agencies:

	Annual Salary	Cost of Hiring
Secretary	\$ 7,800	\$ 1,520
Accountant	14,000	2,965
Senior Engineer	17,500	4,235
Low-Level Manager	20,000	11,050
Mid-Level Manager	30,000	18,300

A breakdown of these costs shows the following:

	Per Cent of Total Costs				
	Agency Fees	Interview Time	Administrative	Start-Up	Relocation
Secy.	51	13	10	26	00
Acc't	61	9	7	23	00
Sr. Eng.	68	6	5	21	00
Low-Level Manager	40	3	2	10	45
Mid-Level Manager	33	3	2	8	54

These costs, of course, represent substantial investments by an employer. Even if turnover is low and

The High Cost of Hiring *continued*

growth modest, a company will spend plenty each year to hire new personnel. Why, then, do so few companies know how much their hiring expenses actually are adding up to?

What they don't know

We find there are two basic difficulties.

First: Measurement is a big problem. Some costs are easily measured but others, such as interviewing or start-up time, are not.

Second, and perhaps most important: There is a lot of jealousy between the personnel management

proper accounting systems. Be sure to keep track of such costs on a continuous basis.

The value of this information goes beyond cost control and identifying the most effective method of recruiting. It can be particularly important if the company is planning to enter a new business venture which will require a lot of recruiting.

It can also enable top management to assess human resource costs as well as capital costs.

• Look at your turnover selectively.

Basically, this involves looking at your turnover by type of position.

For example, a consumer goods manufacturer recently realized that hiring costs centered on one particular group of employees—manufacturing engineers. Statistics showed a significant increase in the cost of hiring professionals in this job category.

This early warning sign was further investigated. Comparisons of turnover to employee performance revealed that turnover was 30 per cent—all of it involving high performance individuals. Low performers were still on the payroll.

Result: The company's manufacturing engineering manager was replaced.

The 30 per cent turnover might have been appropriate if it had occurred among the low performers. But as things were, it was out of line. The case illustrates the value of detailed information in effective management of an organization's human resource assets.

• Analyze recruiting methods.

Many companies lock themselves into recruiting sources—not really knowing, therefore, if better and more cost-effective sources exist. Agency and search fees are often negotiable.

The idea here is not to lower costs by tough negotiating but to seek other, less expensive sources of comparable quality. This helps ensure that competition, rather than monopoly, guides your company's choice of hiring sources.

Some companies, rather than using employment agencies or search firms, maintain their own employment departments.

Typically, walk-ins and want ads are their main sources of job applicants. However, a number of firms have started aggressive in-house agencies that seek out potential candidates from the highways and byways.

For example, such companies have found it easy to get from their executives—who are always talking to outsiders—names of talented people who might be recruited to fill future job openings. Many other companies, though, don't even have an effective way to keep tabs on potential candidates who were interviewed only months before.

It is also productive to examine the impact of lead time on recruiting costs. Most analyses indicate a dramatic cost increase for positions which have to be filled in 15 to 30 days compared to 30 to 60 days.

In other words, haste makes waste.

• Reduce start-up costs.

All too frequently, the recruiting and acquisition



people and the finance staff in most organizations.

Personnel people are only starting to think in terms of cost control, and their approaches are rather unsophisticated. Additionally, they don't (and shouldn't) really view this as their primary role in life.

The finance people, on the other hand, are frustrated because they don't understand the personnel management function. They are trained to think in terms of numbers, not people.

What can be done?

One obvious answer is to reduce turnover. This, of course, involves a broad spectrum of personnel actions. However, there are also some very specific areas for concentration:

• Measure your total hiring costs and your cost per hiring.

First, isolate all elements of hiring costs, such as agency fees, advertising expenses, testing material, time spent interviewing, reference checks, medical exams, new employee orientation, relocation, and start-up time.

Develop ways to measure these costs through ap-

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Pointers for Progress
Through Trade and Professional Associations

The High Cost of Hiring *continued*

process stops on the date of hiring. Yet untrained employees are nonproductive employees.

Some firms feel new employees need a month to "find themselves." This is a costly attitude.

Instead of letting new employees find their way around, show them!

Take a few days to teach company methods and techniques. Your investment will be returned in spades if it brings the new employees up to snuff in considerably less time.

Cutting start-up costs is particularly critical where customer contact is involved.

For example, many sales and marketing organizations place heavy emphasis on developing strong personal ties between salesmen and customers. When a salesman leaves, his customers may, too.

In this case, the company can ill afford to let a new salesman train himself.

• Use hiring costs in manpower planning.

Cost per hiring can obviously be an effective tool in manpower planning.

When your personnel acquisition costs have been calculated, you can use that data to help decide whether you really need a new position that is requested or planned.

If the answer turns out to be no, hiring costs obviously are nil.

It is even more important to weigh hiring costs when drawing up an organization's overall manpower plan. That plan will get much closer attention—and swifter action—if you can pin an accurate price tag on it.

Behind the times?

Personnel executives today are where the accounting and finance people were 20 years ago, in the use of data.

By choice, and by necessity, personnel people collect a lot of information. But few have found an effective way to put it together for use in their day-to-day decision-making.

Sibson & Co. is now working with a group of firms to find better ways to employ personnel data. So far, they have pinpointed a dozen areas where new decision-making tools for personnel management are being developed.

In short, a review of hiring costs can be a real eye-opener.

Most companies have a reservoir of human resource information that would show hiring and turnover costs. It can contribute to accurate, profitable management decisions.

Unfortunately, too often that reservoir is never tapped. END

REPRINTS of "The High Cost of Hiring" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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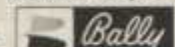


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BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

An Idea Whose Time Has Come: Reform of the Regulators

Although the 93rd Congress ran out of time before it could fashion legislation that would prompt reform of federal regulatory agencies, the new Congress is likely to give the subject its early attention.

Recession's and inflation's twin blows to the economy have given impetus on Capitol Hill to the idea of a long-overdue review by a special commission—an idea backed by President Ford. While there is resistance from entrenched bureaucrats and some vested interests, the general business community highly favors getting on with an unbiased evaluation.

The business community would go further than the general recommendation of President Ford for such a commission. It wants a study not only of regulatory agencies but of Departments and agencies that aren't strictly regulatory, but do issue regulations.

Businessmen also favor a harder look than proposed generally by bills introduced in the last Congress. Business wants analysis of the impact of regulation on all segments of the economy, including operations of state and local governments, on energy conservation and the environment, and on prices and competition.

Futures Commission Has a Date With a Data Hassle

When the Commodity Futures Trading Commission breathes its first breath April 21, it will be facing a controversy spawned by the computer.

A panel which studied the problem of how to handle daily reports from the commodity exchanges has proposed a new computerized futures trading data system.

Included would be daily reporting of detailed trade information to a data services division of the new Commission, reporting of background information on selected accounts by traders and carrying firms, and processing of data to be made available to analysts. The system would be placed in operation over a three-year period.

The panel which made the proposal, after an 11-month study, consisted of five repre-

sentatives of the Agriculture Department and four representatives of the commodity trading industry, and it was the government members who drafted it.

Industry members dissented from much of the panel's report. They said: "We can identify no precedent in which a business activity is subjected to a complete reporting of every transaction occurring each day, wherein the purpose is solely to achieve regulation. The proposed system would be a radical departure from the present record retention regulation as contained in the current Commodity Exchange Act.

"The study does not contain a legal opinion supporting the constitutionality of the detailed data reporting requirements as they affect individual rights of privacy."

Customer Uncle Sam Will Put Down More on Deposit

Firms—large and small—doing business with the federal government will be able to get bigger chunks of their money sooner now.

The General Services Administration recently increased the permissible level of progress payments on government work so more funds can go out in advance.

Until GSA's action, 70 per cent of total costs incurred was the normal maximum payment before completion of a contract, with small businesses allowed 75 per cent. GSA, on a temporary basis, has upped this

to 80 per cent for large contractors and to 85 per cent if small business concerns are involved.

GSA says the savings in contractors' financing costs, particularly for small businesses, can be expected to give a lift to the economy. Also, it says, the resulting increased attractiveness of government contracts should heighten the competition to get them, improving prospects for lower prices to the government.

The new rates will be in effect until terminated by GSA.

How Much, and What, Do Foreigners Own in This Country?

The federal government should soon be fitting together a picture of foreign investment in this country.

A Treasury Department investigation of portfolio investment, and a parallel study of direct investment to be conducted by the Commerce Department, are required by the Foreign Investment Study Act of 1974, which became law last October.

What Treasury wants to get is information on all securities of U.S. corporations, including stocks, bonds and other evidence of ownership or long-term indebtedness, held by foreigners owning less than 10 per cent of those corporations' voting securities.

Commerce is seeking information on investments by foreigners who own equity interests of 10 per cent or more in U.S. corporations.

U.S. issuers of securities having assets

of more than \$20 million, or \$50 million in the case of banks, must report to Treasury by March 1. Firms with lesser assets—down to \$1 million—must file reports only if they have evidence of foreign investment, and those with less than \$1 million in assets are totally exempt from the study.

Not only corporations are affected. The Treasury survey covers such items as foreign portfolio ownership of securities of federal, state or local governments or their instrumentalities; limited partnership interests; business or investment trust certificates or shares; and other evidence of ownership or indebtedness of noncorporate enterprises. Excluded from the survey are debt obligations with an original maturity of one year or less.

The Commerce study is to follow on the heels of Treasury's.

A License to Pry for the Pentagon?

Defense contractors face another round in what has been a long battle over allocating independent research and development costs. A loss could mean gaggles of government auditors rooting around in their commercial records.

The Defense Department pays a share of the cost of defense contractors' R&D so the contractors can meet demand for new and improved products, because the government benefits from these efforts too.

However, the General Accounting Office doesn't think the Pentagon can do proper audits in these cases under present ground rules. It has recommended that the Secretary of Defense provide specific guidance to

government review teams to make sure technical effort allowed as an independent R&D cost is not part of the performance of commercial contracts.

The real stinger is a further recommendation that the Pentagon's auditors be given access to contractors' commercial records in order to check on the validity of R&D cost figures.

The Pentagon, which doesn't believe any change in its review procedures is necessary, has agreed to consider GAO's recommendations, but warns that demanding access to commercial records raises some "far-reaching issues" and that statutory authority might be necessary.

NLRB Has Trouble Keeping Up With Labor Troubles

The National Labor Relations Board's plate keeps filling and some observers say it's only a matter of time before it overflows with cases.

In 1964, the agency received 27,403 cases of all types, principally allegations of unfair labor practices by employers or unions, and requests for secret ballot elections in which employees select or reject unions as bargaining agents. Last year, the number was 42,373.

Most cases are handled by NLRB field offices, with only about 5 per cent of the unfair labor practices charges reaching the five-member Board.

But the workload keeps increasing. Within the last five years the Board has asserted jurisdiction over private, nonprofit

universities and colleges, the U.S. Postal Service and—just last August—private health care institutions, which have 1.5 million employees.

Outgoing Chairman Edward B. Miller has issued this warning: "The Board's decision-making structure is fast approaching a critical state of obsolescence. The failure of both management and labor representatives to face up to that fact and jointly to recommend to the Congress mutually acceptable improvements in our structure threatens the continued effectiveness of the Board."

NLRB officials confirm that the case load is still increasing, noting that in the first four months of fiscal year 1975 the number of filings had increased 10.6 per cent over the same period in fiscal 1974.

EDITORIAL

Taxes and Jobs

It looks like some sort of tax cut is coming in the next few months.

Maybe it will help the economy, at least in the short run.

But we need to think about the long run, too. It would be a big mistake for Congress to make up the revenue loss with punitive taxes on business.

An important long-run answer to a prosperous economy is better productivity, which requires that business has the capital to improve its facilities.

In the long run, it's business that must provide the jobs to end unemployment.

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